

**LOCAL ROADS IMPROVEMENT PROJECT**

**WORLD BANK and  
INTERNATIONAL DEVELOPMENT ASSOCIATION**

**Financing Agreement**  
**Credit No. 5747-MD dated 28 April 2016**

**SPECIAL PURPOSE FINANCIAL SCHEDULES  
FOR THE PERIOD ENDED 31 DECEMBER 2020**

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## INDEPENDENT AUDITORS' REPORT

To the management of  
Local Roads Improvement Project ("LRIP Project")  
Chişinău, Republic of Moldova

### Report on the special-purpose Financial Schedules

#### Opinion

We have audited the special-purpose Financial Schedules of the Local Roads Improvement Project ("LRIP Project") financed by the World Bank and the International Development Association according to the Financing Agreement no. 5747-MD signed on April 28, 2016, between the Republic of Moldova and the International Development Association, which comprise the Project Sources and Uses of Funds for the year ended 31 December 2020, Uses of Funds by Project Activities, Detailed withdrawal of funds schedule and Notes to the special-purpose Financial Schedules for the year ended 31 December 2020 ("the Financial Schedules").

In our opinion, the accompanying special-purpose Financial Schedules of the Local Roads Improvement Project for the year ended 31 December 2020 have been prepared in all material respects, in conformity with cash basis of accounting and the financial reporting provisions requirements of Section 4.09 of the Financing Agreement No. 5747-MD dated April 28, 2016 between Republic of Moldova and International Development Association.

#### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Schedules* section of our report. We are independent of the IS State Road Administration, which is the Project Implementing Entity in accordance with ethical requirements that are relevant to our audit of the Financial Schedules in Republic of Moldova, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Emphasis of Matter

##### *Contingencies*

We draw attention to Note 3 to the Financial Schedules, which describes project contingencies.

The Project Implementing Entity is in dispute with an economic agent regarding its performance on the implementation projects. At the same time, on October 11, 2018, the Project Implementing Entity collected the performance guarantee and the guarantee for the advance

payment of Badprim SRL, issued by BC Moldova Agroindbank SA as a result of non-compliance with clause 57.2 GCC of contract no. LRIP / W / 01 "Rehabilitation of the road L376 km 0 + 000 to 33 + 491 Cornesti intersection with L405" in the amount of MDL 8,554,010 (USD 497,057) and MDL 8,034,914 (USD 468,708), respectively.

Subsequently, following the termination of the aforementioned contract, Badprim SRL initiated a dispute in the Court of Arbitration attached to the Chamber of Commerce and Industry of the Republic of Moldova, in which it requested the Project Implementing Entity to pay real costs and legal interest afferent for the delay period, for the additional works regarding the repeated topographic survey in the sector from km 13 + 141 to 33 + 491, of the interest afferent to the interim payment certificate no. 3 and obliging the defendant to reimburse the value of the Performance Guarantee and related interest. On October 29, 2019, the Decision of the International Commercial Arbitration Court of the Chamber of Commerce and Industry of the Republic of Moldova was issued, by which it was decided that the examination of the present dispute does not fall within its competence. The decision of the Arbitration Court was challenged by Badprim SRL at the Chisinau Court of Appeal. On December 6, 2019, the Chisinau Court of Appeal returned the application filed by Badprim SRL on the grounds that the application was filed in violation of jurisdiction. Following the appeal against the decision of the Chisinau Court of Appeal, initiated by Badprim SRL, on February 19, 2020, the Supreme Court of Justice issued the decision to reject the appeal of Badprim SRL and to uphold the decision of the Chisinau Court of Appeal issued on December 6, 2019.

On July 24, 2020, Badprim SRL initiated a new arbitration process requesting the obligation of the Project Implementing Entity to pay the real costs and the related legal interest for the delay period, for the additional works related to the repeated topographic survey of the sector. at km 13 + 141 to 33 + 491, of the interest related to the interim payment certificate no. 3 and obliging the defendant to reimburse the value of the Performance Guarantee and related interest.

Please note that during 2019, the amount of MDL 8,034,914 (USD 459,959), which is the advance payment guarantee, was used in full by the Project Implementing Agency for payments to suppliers under the project. A difference of USD 8,749 was recognized in respect of these payments. As the advance payment guarantee was used for payments under the project, the amount of USD 468,708 was disclosed in the financial information in the Other Receipts section.

On August 13, 2021, the Arbitral Tribunal issued Decision no. 65/945/20 by which it decided to partially admit the arbitration request submitted by Badprim SRL and ordered the collection from the account of the State Road Administration for the benefit of Badprim SRL of the following amounts:

- a. 3,528,816.69 MDL - for the compensatory event - the delay of 99 days;
- b. 1 348 753.93 MDL - interest on arrears for this amount;
- c. 3 004 942.71 MDL - the value of confirmed and certified works;
- d. 51 478.62 MDL - interest for delay for 125 days on the payment of the amount due according to the Payment Certificate no. 3

In total, the court ordered the payment of MDL 7,933,991.95 out of MDL 24,165,207.9 (32.8% of the total value of the claims).

Our opinion is not modified in respect of this matter.

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

We draw attention to Note 2 to the special-purpose Financial Schedules, which describes the basis of accounting. The special-purpose Financial Schedules are prepared to assist the Project in complying with the financial reporting provisions of the contract referred to above. As a result, the special-purpose Financial Schedules may not be suitable for another purpose. Our report is intended solely for the International Development Association. Our opinion is not modified in respect of this matter.

### *Responsibilities of Management and Those Charged with Governance for the Financial Schedules*

Management is responsible for the preparation of the special-purpose Financial Schedules in accordance with the cash basis of accounting and the financial reporting provisions requirements of Section 4.09 of the Financing Agreement No. 5747-MD dated April 28, 2016 between Republic of Moldova and International Development Association and for such internal control as management determines is necessary to enable the preparation of special-purpose Financial Schedules that are free from material misstatement, whether due to fraud or error.

In preparing the financial schedules, management is responsible for assessing the Project's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting.

### *Auditor's Responsibilities for the Audit of the Financial Schedules*

Our objectives are to obtain reasonable assurance about whether the special-purpose Financial Schedules as a whole are free from material misstatement, whether due to fraud or error, and to issue and auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on a basis of these Financial Schedules.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the special-purpose Financial Schedules, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain and understanding of internal control relevant to the audit 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 Project's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Project's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the

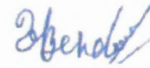
related disclosures in the special-purpose Financial Schedules or, if such disclosures are inadequate, to modify our opinion. Our conclusion is based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Project to cease to continue as a going concern.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



**Moore Stephens KSC SRL**

15 October 2021  
Chişinău, Republic of Moldova



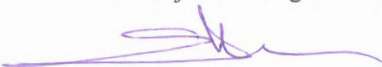
**Benderschi Vasile**

Auditor qualification certificate  
serial no. AG no. 000121  
From 08 February 2008

**ROADS IMPROVEMENT PROJECT**  
**SUMMARY OF SOURCES AND USES OF FUNDS**  
**FOR THE YEAR ENDED 31 DECEMBER 2020**  
(all amounts are stated in USD unless otherwise mentioned)

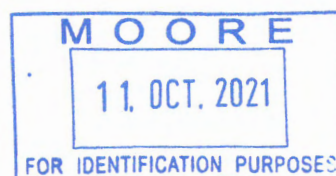
|   | Nota | For the year<br>ended 31<br>December 2020 | Cumulative to<br>date |
|---|------|---|-----------------------|
| <b>FINANCING RECEIVED DURING THE PERIOD: SOURCES OF FUNDS</b>         |      |   |                       |
| World Bank  |      | 22,459,559                                | 30,912,962            |
| Repaid advances   |      |   | (41,350)              |
| <b>Total financing receipts</b>                                       |      | <b>22,459,559</b>                         | <b>30,871,612</b>     |
| <b>LESS: APPLICATION OF FUNDS BY COMPONENTS</b>                       |      |   |                       |
| Other receipts  | 3    | -   | 472,678               |
| Component 1   |      | (19,500,758)                              | (25,718,249)          |
| Component 2   |      | (781,350)                                 | (3,339,364)           |
| <b>Total Application of Funds</b>                                     |      | <b>(20,282,108)</b>                       | <b>(28,584,935)</b>   |
| <b>Financing received during the period less Application of Funds</b> |      | <b>2,177,451</b>                          | <b>2,286,677</b>      |
| <b>Difference of currency exchange, net</b>                           | 3    | -   | <b>(12,719)</b>       |
| <b>Total opening cash</b>   |      | <b>96,507</b>                             |                       |
| <b>Total closing cash</b>   |      | <b>2,273,958</b>                          | <b>2,273,958</b>      |

The special purpose financial statements and accompanying notes on page 14 were signed and approved on behalf of the Project's management on 11 October 2021 by:

  
**Sergiu BEJAN**  
Interim General Director



  
**Silvia CHEIBAS**  
Chief-Accountant



**ROADS IMPROVEMENT PROJECT**  
**STATEMENT OF DESIGNED ACCOUNT #3261084065(USD)**  
**AT NATIONAL BANK OF MOLDOVA**  
**FOR THE YEAR ENDED 31 DECEMBER 2020**  
**(all amounts are stated in USD unless otherwise mentioned)**

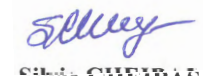
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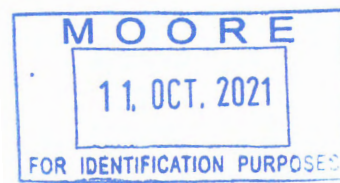
|   | <b>For the year ended 31<br/>December 2020</b> |
|---|--|
| <b>Opening balance at 1 January 2020</b>  | 96,507   |
| Account replenishment   | 19,525,000                                     |
| <b>Total cash receipts</b>  | <b>19,525,000</b>                              |
| <b>LESS: Payments</b>   |  |
| Amount of eligible expenditures during the period   | (17,347,549)                                   |
| Amount transferred to Designated Account #2264011002/518430B00891AA (MDL)                       | -  |
| <b>Total payments</b>   | <b>(17,347,549)</b>                            |
| <b>Closing balance as at 31 December 2020 of the project<br/>carried forward to next period</b> | <b>2,273,958</b>                               |

The special purpose financial statements and accompanying notes on page 14 were signed and approved on behalf of the Project's management on 11 October 2021 by:

  
**Sergiu BEJAN**  
Interim General Director



  
**Sîvia CHEIBAS**  
Chief-Accountant



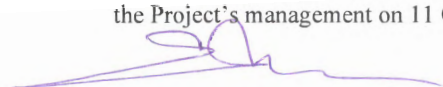




**ROADS IMPROVEMENT PROJECT**  
**STATEMENT OF DESIGNED ACCOUNT #2264011002/518430B00891AA (MDL)**  
**AT MINISTRY OF FINANCE**  
**FOR THE YEAR ENDED 31 DECEMBER 2020**  
(all amounts are stated in USD unless otherwise mentioned)

|  | Note | For the year<br>ended 31<br>December 2020<br>MDL | For the year<br>ended 31<br>December 2020<br>USD |
|--|------|--|--|
| <b>Opening balance at 1 January 2020</b>   |      | -  | -  |
| <b>Opening balance at 1 January 2020 of other receipts</b>                           | 3    | -  | -  |
| Plus: Internal transfer from designated account #3261084065(USD)                     |      | -  | -  |
| Plus: Other receipts   |      | -  | -  |
| <b>Total cash receipts</b>   |      | -  | -  |
| <b>LESS: USAGE OF FUNDS</b>  |      |  |  |
| Amount of eligible expenditures during the period funded from other receipts         | 3    | -  | -  |
| Amount of eligible expenditures during the period                                    |      | -  | -  |
| <b>Total payments</b>  |      | -  | -  |
| <b>Difference of currency exchange, net</b>  | 3    | -  | -  |
| Closing balance as at 31 December 2020 of the project carried forward to next period |      | -  | -  |
| Closing balance as at 31 December 2020 of other receipts carried forward             |      | -  | -  |
| <b>Closing balance as at 31 December 2020</b>  |      | -  | -  |

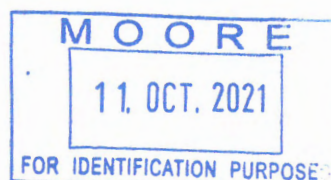
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**Sergiu BEJAN**  
Interim General Director

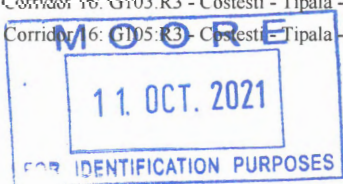



**Silvia CHEIBAS**  
Chief-Accountant





**LOCAL ROADS IMPROVEMENT PROJECT**  
**SUMMARY OF USES OF FUNDS BY PROJECT ACTIVITIES**  
**FOR THE YEAR ENDED 31 DECEMBER 2020**  
**(all amounts are stated in USD unless otherwise mentioned)**

| Project component/Activity   | For the year ended 31 December 2020 |                |                                       |                    | Financial progress |
|--|-------------------------------------|----------------|---------------------------------------|--------------------|--------------------|
|  | Status                              | Contract Value | Cumulative payments 2020 <sup>0</sup> | Cumulative to date |                    |
| <b>Component 1</b>   |                                     |                |                                       |                    |                    |
| Improvement of Local Road L376 km 0+000 to 33+491 Cornesti to junction with L405   | terminated                          | 245,580        | -                                     | 245,580            | 100%               |
| Supervision Consultant   | terminated                          | 481,661        | -                                     | 481,661            | 100%               |
| Interim Supervision Consultant for Improvement of Local Road L376 km 0+000 to 33+491 Cornesti to junction with L405  | ongoing                             | 229,026        | -                                     | 229,026            | 100%               |
| Engineering Design for Improvement of L314 road, M2-Peresecina-Hirtopul Mare-Ohrinnea-R23, km 0+000 – km 26+430, and Improvement of L405 road R21-Oniscani, km 0+000 – km 9+962  | completed                           | 298,593        | -                                     | 298,593            | 100%               |
| Engineering Design for Improvement of L390 road, R25-Silesti-Prilita-R1, km 0+000 – km 41+800  | completed                           | 299,643        | -                                     | 299,643            | 100%               |
| Engineering Design for Improvement of R13-Ivanovca-Izvoare-Vanțina-Ocolina-M2 (sector L77 Mîndic-Zgurița-Căinari Vechi-Mărculești, km 58+170 – 49+140, sector L193 Trifănești-Alexandrovca-Izvoare, km 0+000 – 4+000, sector L77 Mîndic-Zgurița-Căinari Vechi-Mărculești, km 43+540 – 41+030) și R13-Ivanovca-Izvoare-Vanțina-Ocolina-M2 (sector L107 Soroca-Căinari Vechi, km 0+000 – 19+900) | ongoing                             | 308,294        | 28,932                                | 263,697            | 86%                |
| Engineering Design for Improvement of R13-Ivanovca-Izvoare-Vanțina-Ocolina-M2 (sector L77 Mîndic-Zgurița-Căinari Vechi-Mărculești, km 58+170 – 49+140, sector L193 Trifănești-Alexandrovca-Izvoare, km 0+000 – 4+000, sector L77 Mîndic-Zgurița-Căinari Vechi-Mărculești, km 43+540 – 41+030) și R13-Ivanovca-Izvoare-Vanțina-Ocolina-M2 (sector L107 Soroca-Căinari Vechi, km 0+000 – 19+900) | ongoing                             | 297,499        | 84,080                                | 263,761            | 89%                |
| Engineering Design for Improvement of M2-Țințăreni-Chiștelnița-Ignăței-Trifești-R20 (sector L163 R20-Trifești-Peciște, km 0+000 – 11+440) și M2-Țințăreni-Chiștelnița-Ignăței-Trifești-R20 (sector L178 Olișcani-Peciște-Chiștelnița-Codrul Nou, km 12+870 – 37+780)   | ongoing                             | 297,499        | 28,766                                | 207,253            | 70%                |
| Engineering Design for Improvement of R34-Ciobalaccia-Tartaul-R56-Baimaclia-Enichioi-R37 (sector L606 Vișniovca-Baimaclia, km 0+000 – 22+150) și R34-Ciobalaccia-Tartaul-R56-Baimaclia-Enichioi-R37 (sector L619 Gotești-Tartaul, km 0+000 – 14+930)   | ongoing                             | 297,007        | 83,941                                | 262,475            | 88%                |
| Engineering Design for Improvement of R26-Mihailovca-Sadaclia-Iordanovca-R3 (sector L626 R3-Sadaclia-Iserlia-stația Cimișlia, km 1+420 – 16+580, sector L627 R3-Carabetovca-Sadaclia, km 0+000 – 7+310)  | ongoing                             | 293,811        | 87,513                                | 324,799            | 111%               |
| Consultancy Services for preparation of the Detailed Design and Bidding Documents for the bridge at km 10+860 on Corridor 16 (R3 – Pojăreni – Costești – Horești – Țipala – R32)   | ongoing                             | 6,208          | -                                     | 6,208              | 100%               |
| Corridor 8.3: L40, R21-Oniscani, km 0+000 - km 9+962   | ongoing                             | 4,928,862      | 1,985,548                             | 1,985,548          | 40%                |
| Corridor 11: L313 M2 Access Road to Miclesti km 0+000 to km 5+000 and L314 M2 Peresecina - Hirtopul Mare - Ohrinnea Road (km 1+640 to km 15+390)   | ongoing                             | 5,522,128      | 3,288,438                             | 4,272,872          | 77%                |
| Corridor 11: L314 Izbiste Bypass (km 15+390 to km 19+810) and L314 M2 Peresecina-Hirtopul Mare-Ohrinnea Road (km 19+810 to km 24+300)  | ongoing                             | 3,513,324      | 1,964,667                             | 3,141,240          | 89%                |
| Corridor 13: Road L390 Pirlita-Nisporeni, km 10+900- km 23+400   | ongoing                             | 5,453,461      | 3,472,193                             | 3,982,947          | 73%                |
| Corridor 13: Road L390 Pirlita-Nisporeni, km 23+400- km 32+942   | ongoing                             | 3,987,342      | 2,671,095                             | 2,671,095          | 67%                |
| Corridor 13: L431 Paruceni - Seliste - Vinatori, km 0+000 - km 4+200, and Access Road R25 - Seliste, km 0+000 - km 3+600   | ongoing                             | 4,147,985      | 2,398,819                             | 2,825,927          | 68%                |
| Corridor 10, Section 1.1: G46: Dobrușa – Ignăței – Scorțeni – Codrul Nou – R14, km 22 + 610 – km 29 + 200; Section 1.2: G46: Dobrușa – Ignăței – Scorțeni – Codrul Nou – R14, km 29 + 200 – km 35 + 622.09   | ongoing                             | 5,831,247      | 836,117                               | 836,117            | 14%                |
| Corridor 10, Section 2.1: G46: Dobrușa – Ignăței – Scorțeni – Codrul Nou – R14, km 15 + 760 – km 22 + 610; Section 2.2: G47: R9 - Olișcani – Peciște – Ignăței – G46, km 12 + 880 – km 18 + 075  | ongoing                             | 8,439,245      | 1,209,747                             | 1,209,747          | 14%                |
| Corridor 10, Sector 3.1: G49: G47 – Peciște – Trifești – R20, km 0 + 000 – km 6 + 560; Sector 3.2: G49: G47 – Peciște – Trifești – R20, km 6 + 560 – km 11 + 426.70  | ongoing                             | 6,198,252      | 888,695                               | 888,695            | 14%                |
| Corridor 13: Road L390 Pirlita - Nisporeni, km 0+000 - km 10+900   | ongoing                             | 4,736,888      | -                                     | -                  | -                  |
| Corridor 16: G105: R3 - Costesti - Țipala - C106 (km 0+000 - km 8+450)   | ongoing                             | 5,728,582      | -                                     | -                  | -                  |
| Corridor 16: G105: R3 - Costesti - Țipala - C106 (km 8+450 - km 17+350)  | ongoing                             | 5,525,619      | -                                     | -                  | -                  |



| Project component/Activity  | For the year ended 31 December 2020 |                   |                          |                    | Financial progress |
|---|-------------------------------------|-------------------|--------------------------|--------------------|--------------------|
|   | Status                              | Contract Value    | Cumulative payments 2020 | Cumulative to date |                    |
| Corridor 16: G105.R3 - Costesti - Tipala -G106 (km 17+350 - km 26+400)  | ongoing                             | 4,762,306         | -                        | -                  | -                  |
| Corridor 16: G105.R3 - Costesti - Tipala -G106 (km 26+400 - km 34+584)  | ongoing                             | 5,119,175         | -                        | -                  | -                  |
| Supervision Consultant of LRIP  | ongoing                             | 1,364,442         | 472,207                  | 548,686            | 40%                |
| <b>Total Component 1</b>  |                                     | <b>78,313,682</b> | <b>19,500,758</b>        | <b>25,245,571</b>  |                    |
| <b>Component 2</b>  |                                     |                   |                          |                    |                    |
| Project Management Consultant   | Ongoing                             | 4,352,051         | 774,895                  | 2,819,781          | 65%                |
| Social Survey Study   | Completed                           | 5,744             | -                        | 5,744              | 100%               |
| Reimbursement of expenditures incurred from the Road Fund for the consulting services for the elaboration of Local Roads Improvement Project performed under the contract no. RSPSP/LRIP/2014/01                        | Completed                           | 374,416           | -                        | 374,416            | 100%               |
| Reimbursement of bank charges and taxes related to the payment from the Road Fund of the consulting services for the elaboration of Local Roads Improvement Project performed under the contract no. RSPSP/LRIP/2014/01 | Completed                           | n/a               | -                        | 121,560            | 100%               |
| ECCEE Fiduciary Training for Financial Management project staff Minsk, Belarus  | Completed                           | n/a               | -                        | 2,602              | 100%               |
| Reimbursement of expenditures incurred from the Road Fund for the staff in the World Procurement Management Training in Turin   | Completed                           | n/a               | -                        | 8,805              | 100%               |
| SRL Moore Stephens KSC, Financial audit services for 2019   | Completed                           |                   | 6,455                    | 6,455              | 100%               |
| <b>Total component 2</b>  |                                     | <b>4,732,211</b>  | <b>781,350</b>           | <b>3,339,364</b>   |                    |
| <b>TOTAL Project</b>  |                                     | <b>83,052,348</b> | <b>20,282,108</b>        | <b>28,584,935</b>  |                    |

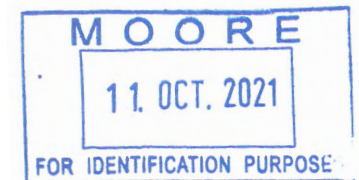
The special purpose financial statements and accompanying notes on page 14 were signed and approved on behalf the Project's management on 11 October 2021 by:



**Sergiu BEJAN**  
Interim General Director

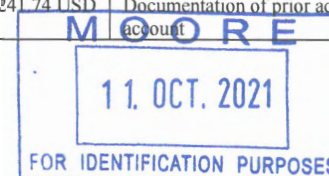



**Silvia CHEIBAS**  
Chief-Accountant



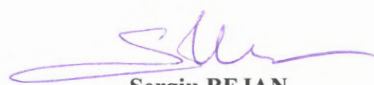

**LOCAL ROADS IMPROVEMENT PROJECT  
DETAILED WITHDRAWAL OF FUNDS SCHEDULE  
FOR THE YEAR ENDED 31 DECEMBER 2020  
(all amounts are stated in USD unless otherwise mentioned)**

| No of WA  | Period covered        | Value Date  | Application amount       |   |                                  |                                | Note   |
|---|-----------------------|-------------|--------------------------|---|----------------------------------|--------------------------------|--|
|   |                       |             | XDR                      | USD (according to Withdrawal Application) | USD (NBM official exchange rate) | USD paid to Designated Account |  |
| <i>Advance to designated account / Direct payments</i>      |                       |             |                          |   |                                  |                                |  |
| WA No.1   | -                     | 30-Nov-2016 | 1,059,579.25 XDR         | 1,434,416.00 USD                          | 1,434,416.00 USD                 | 1,434,416.00 USD               | Transfer of the advance to the designated account  |
| WA No.2   | -                     | 28-Dec-2016 | 90,882.55 XDR            | 121,559.96 USD                            | 121,559.96 USD                   | 121,559.96 USD                 | Reimbursement of the bank charges and taxes related to expenditures pre-financed by SRA from Road Fund                                 |
| WA No.3   | -                     | 27-Dec-2016 | 279,487.93 XDR           | 374,416.00 USD                            | 374,416.00 USD                   | 374,416.00 USD                 | Reimbursement of the consulting services value performed under the Contract No. RSPSP/LRIP/2014/01, pre-financed by SRA from Road Fund |
| WA No.6   | -                     | 11-Sep-2017 | 366,767.88 XDR           | 523,011.00 USD                            | 523,011.00 USD                   | 523,011.00 USD                 | Payment of advance payment under Contract no LRIP/CS/05  |
| WA No.7   | -                     | 23-Oct-2017 | 2,126,046.19 XDR         | 3,000,000.00 USD                          | 3,000,000.00 USD                 | 3,000,000.00 USD               | Account replenishment  |
| Repayment   | -                     | 5-Apr-2018  | -28,493.50 XDR           | -41,349.77 USD                            | -41,349.77 USD                   | -41,349.77 USD                 | Recovery of advance payment transferred by the Consultancy, Contract no. LRIP/CS/05  |
| WA No.9   | -                     | 11-Apr-2019 | 2,158,490.78 XDR         | 3,000,000.00 USD                          | 3,000,000.00 USD                 | 3,000,000.00 USD               | Account replenishment  |
| WA No.13  | -                     | 18-Feb-2020 | 2,816,592.29 XDR         | 3,850,000.00 USD                          | 3,850,000.00 USD                 | 3,850,000.00 USD               | Account replenishment  |
| WA No.14  | -                     | 9-Jun-2020  | 2,859,976.98 XDR         | 3,950,000.00 USD                          | 3,950,000.00 USD                 | 3,950,000.00 USD               | Account replenishment  |
| WA No.15  | -                     | 10-Aug-2020 | 2,829,155.94 XDR         | 3,980,000.00 USD                          | 3,980,000.00 USD                 | 3,980,000.00 USD               | Account replenishment  |
| WA No.16  | -                     | 16-Oct-2020 | 2,784,528.51 XDR         | 3,930,000.00 USD                          | 3,930,000.00 USD                 | 3,930,000.00 USD               | Account replenishment  |
| WA No.17  | -                     | 21-Dec-2020 | 581,824.95 XDR           | 836,117.36 USD                            | 836,117.36 USD                   | 836,117.36 USD                 | Payment of advance payment under the Contract LRIP/W5/01   |
| WA No.18  | -                     | 21-Dec-2020 | 841,820.00 XDR           | 1,209,747.00 USD                          | 1,209,747.00 USD                 | 1,209,747.00 USD               | Payment of advance payment under the Contract LRIP/W5/02   |
| WA No.19  | -                     | 21-Dec-2020 | 618,411.59 XDR           | 888,694.56 USD                            | 888,694.56 USD                   | 888,694.56 USD                 | Payment of advance payment under the Contract LRIP/W5/03   |
| WA No.20  | -                     | 18-Dec-2020 | 2,642,021.65 XDR         | 3,815,000.00 USD                          | 3,815,000.00 USD                 | 3,815,000.00 USD               | Account replenishment  |
| <b>Total</b>  |                       |             | <b>22,027,092.99 XDR</b> | <b>30,871,612.11 USD</b>                  | <b>30,871,612.11 USD</b>         | <b>30,871,612.11 USD</b>       |  |
| <i>Documentation of prior advance to designated account</i> |                       |             |                          |   |                                  |                                |  |
| WA No.4   | 30.11.2016-15.02.2017 | 2-Mar-2017  | 44,415.16 XDR            | 59,825.00 USD                             | 59,825.00 USD                    | 59,825.00 USD                  | Documentation of prior advance to designated account   |
| WA No.5   | 16.02.2017-31.07.2017 | 24-Aug-2017 | 693,853.41 XDR           | 978,569.21 USD                            | 978,569.21 USD                   | 978,569.21 USD                 | Documentation of prior advance to designated account   |
| WA No.7   | 01.08.2017-18.10.2017 | 20-Oct-2017 | 280,653.54 XDR           | 396,021.79 USD                            | 396,021.79 USD                   | 396,021.79 USD                 | Documentation of prior advance to designated account   |
| WA No.8   | 19.10.2017-26.10.2018 | 1-Nov-2018  | 1,147,244.68 XDR         | 1,590,241.74 USD                          | 1,590,241.74 USD                 | 1,590,241.74 USD               | Documentation of prior advance to designated account   |

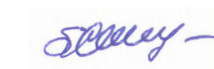


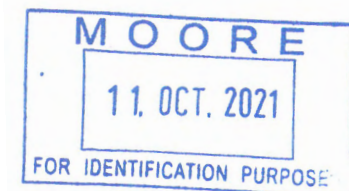
| No of WA                              | Period covered        | Value Date  | Application amount       |   |                                  |                                | Note   |
|---------------------------------------|-----------------------|-------------|--------------------------|---|----------------------------------|--------------------------------|--|
|                                       |                       |             | XDR                      | USD (according to Withdrawal Application) | USD (NBM official exchange rate) | USD paid to Designated Account |  |
| WA No.9                               | 27.10.2018-20.03.2019 | 11-Apr-2019 | 519,134.30 XDR           | 721,524.00 USD                            | 721,524.00 USD                   | 721,524.00 USD                 | Documentation of prior advance to designated account |
| WA No.10                              | 21.03.2019-18.06.2019 | 3-Jul-2019  | 285,670.61 XDR           | 395,859.48 USD                            | 395,859.48 USD                   | 395,859.48 USD                 | Documentation of prior advance to designated account |
| WA No.13                              | 19.06.2019-21.01.2020 | 18-Feb-2020 | 2,327,814.10 XDR         | 3,181,889.10 USD                          | 3,181,889.10 USD                 | 3,181,889.10 USD               | Documentation of prior advance to designated account |
| WA No.14                              | 21.01.2020-29.05.2020 | 9-Jun-2020  | 2,835,829.50 XDR         | 3,916,649.19 USD                          | 3,916,649.19 USD                 | 3,916,649.19 USD               | Documentation of prior advance to designated account |
| WA No.15                              | 30.05.2020-05.08.2020 | 10-Aug-2020 | 2,830,038.16 XDR         | 3,981,241.10 USD                          | 3,981,241.10 USD                 | 3,981,241.10 USD               | Documentation of prior advance to designated account |
| WA No.16                              | 30.05.2020-05.08.2020 | 16-Oct-2020 | 2,781,000.69 XDR         | 3,925,020.94 USD                          | 3,925,020.94 USD                 | 3,925,020.94 USD               | Documentation of prior advance to designated account |
| WA No.20                              | 30.05.2020-05.08.2020 | 18-Dec-2020 | 2,641,614.33 XDR         | 3,814,411.84 USD                          | 3,814,411.84 USD                 | 3,814,411.84 USD               | Documentation of prior advance to designated account |
| <b>Total</b>                          |                       |             | <b>16,387,268.48 XDR</b> | <b>22,961,253.39 USD</b>                  | <b>22,961,253.39 USD</b>         | <b>22,961,253.39 USD</b>       |  |
| <b>Total amount as per agreement:</b> |                       |             | <b>57,000,000.00 XDR</b> |   |                                  |                                |  |
| <b>Funds available:</b>               |                       |             | <b>34,972,907.01 XDR</b> |   |                                  |                                |  |

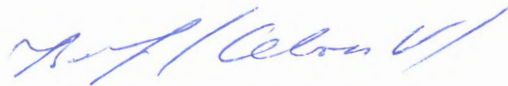
The special purpose financial statements and accompanying notes on page 14 were signed and approved on behalf the Project's management on 11 October 2021 by:

  
**Sergiu BEJAN**  
Interim General Director



  
**Silvia CHEIBAS**  
Chief-Accountant





**LOCAL ROADS IMPROVEMENT PROJECT  
NOTES TO THE FINANCIAL SCHEDULES  
FOR THE YEAR ENDED AT 31 OF DECEMBER 2020**

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## **1. GENERAL INFORMATION**

The Government of the Republic of Moldova is implementing the Road Sector Program “Improving local roads” (the Project) financed by the World Bank (WB). The Government is represented by the Ministry of Transport and Road Infrastructure (MTRI), and the Project Implementing Entity is the State Road Administration (SRA).

. The project has two components:

- A. Rehabilitation and maintenance of Local Road Network
  - 1. Rehabilitation and upgrading of approximately 300 kilometers of Selected Corridors;
  - 2. Supervision of civil work activities carried out under Part A1 above, including the carrying out of Technical Audits; and
  - 3. Carrying out the feasibility studies and design of the works under Part A1 above, and (b) design and implementation of routine maintenance works in the Selected Corridors mentioned in part A1 above, including access roads to said Selected Corridors.
  
- B. Institutional and other strengthening measures
  - 1. Building capacity for reform of management of local roads, including through: (a) strengthening the institutional capacity of SRA; (b) developing a sustainable model for decentralization of road management; and (c) supporting the eventual implementation of the model developed under (b);
  - 2. Developing and adopting of local roads planning, design and construction standards, including the preparation of a local roads design manual and provision of related Training;
  - 3. Strengthening of the Road Fund’s expenditure monitoring and evaluation system;
  - 4. Implementing a framework for local roads maintenance, including through the preparation of the bidding documents for the maintenance works to be carried out under Part A3 (b) above through, inter alia, the provision of technical advice and validation of design and costs for said works;
  - 5. Designing and implementing a local roads safety program, which will include: (a) the introduction of the Safe Villages concepts for the Selected Corridors; (b) the carrying out of an education campaign relating to the road safety; (c) the carrying out of local road safety audits; and
  - 6. Project implementation, monitoring and evaluation, including the carrying out the Project audits.

The Project is financed through separate financing agreements between Government of the Republic of Moldova and World Bank.

### *Loan and Loan Financing*

The financing agreement was signed in 2016 and its reference numbers are:

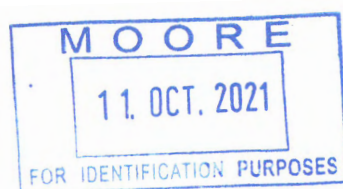
- Financing Agreement No. 5747 - MD of April 28, 2016.

## **2. ACCOUNTING POLICY**

These Financial Schedules have been prepared by management in accordance with the requirements of cash accounting and the IDA Financing Agreement, Credit No. 5747-MD dated 28 April 2016. On this basis sources of funds are recognized when received rather than earned and uses are recognized when paid rather than when incurred.

## **3. CONTINGENCIES**

The Project Implementing Entity is in dispute with an economic agent regarding its performance on the implementation projects. At the same time, on October 11, 2018, the Project Implementing Entity collected the performance guarantee and the guarantee for the advance payment of Badprim SRL, issued by BC Moldova Agroindbank SA as a result of non-compliance with clause 57.2 GCC of contract no. LRIP / W / 01 “Rehabilitation of the road L376 km 0 + 000 to 33 + 491 Cornesti intersection with L405” in the amount of MDL 8,554,010 (USD 497,057) and MDL 8,034,914 (USD 468,708), respectively.



**LOCAL ROADS IMPROVEMENT PROJECT  
NOTES TO THE FINANCIAL SCHEDULES  
FOR THE YEAR ENDED AT 31 OF DECEMBER 2020**

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Subsequently, following the termination of the aforementioned contract, Badprim SRL initiated a dispute in the Court of Arbitration attached to the Chamber of Commerce and Industry of the Republic of Moldova, in which it requested the Project Implementing Entity to pay real costs and legal interest afferent for the delay period, for the additional works regarding the repeated topographic survey in the sector from km 13 + 141 to 33 + 491, of the interest afferent to the interim payment certificate no. 3 and obliging the defendant to reimburse the value of the Performance Guarantee and related interest. On October 29, 2019, the Decision of the International Commercial Arbitration Court of the Chamber of Commerce and Industry of the Republic of Moldova was issued, by which it was decided that the examination of the present dispute does not fall within its competence. The decision of the Arbitration Court was challenged by Badprim SRL at the Chisinau Court of Appeal. On December 6, 2019, the Chisinau Court of Appeal returned the application filed by Badprim SRL on the grounds that the application was filed in violation of jurisdiction. Following the appeal against the decision of the Chisinau Court of Appeal, initiated by Badprim SRL, on February 19, 2020, the Supreme Court of Justice issued the decision to reject the appeal of Badprim SRL and to uphold the decision of the Chisinau Court of Appeal issued on December 6, 2019.

On July 24, 2020, Badprim SRL initiated a new arbitration process requesting the obligation of the Project Implementing Entity to pay the real costs and the related legal interest for the delay period, for the additional works related to the repeated topographic survey of the sector. at km 13 + 141 to 33 + 491, of the interest related to the interim payment certificate no. 3 and obliging the defendant to reimburse the value of the Performance Guarantee and related interest.

Please note that during 2019, the amount of MDL 8,034,914 (USD 459,959), which is the advance payment guarantee, was used in full by the Project Implementing Entity for payments to suppliers under the project. A difference of USD 8,749 was recognized in respect of these payments. As the advance payment guarantee was used for payments under the project, the amount of USD 468,708 was disclosed in the financial information in the Other Receipts section.

On August 13, 2021, the Arbitral Tribunal issued Decision no. 65/945/20 by which it decided to partially admit the arbitration request submitted by Badprim SRL and ordered the collection from the account of the State Road Administration for the benefit of Badprim SRL of the following amounts:

- a. 3,528,816.69 MDL - for the compensatory event - the delay of 99 days;
- b. 1 348 753.93 MDL - interest on arrears for this amount;
- c. 3 004 942.71 MDL - the value of confirmed and certified works;
- d. 51 478.62 MDL - interest for delay for 125 days on the payment of the amount due according to the Payment Certificate no. 3

In total, the court ordered the payment of MDL 7,933,991.95 out of MDL 24,165,207.9 (32.8% of the total value of the claims).

