
RURAL RESILIENCE PROJECT

**IFAD LOAN No. 2000001702; GRANT 2000001701 AND GRANT 2000001703
(IFAD VII)**

SPECIAL-PURPOSE PROJECT FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

RURAL RESILIENCE PROJECT,
FINANCED UNDER LOAN AGREEMENT No. 2000001702, GRANT 2000001701, AND GRANT
2000001703 (IFAD VII)
SPECIAL-PURPOSE PROJECT FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

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Grant Thornton

FOR IDENTIFICATION PURPOSES

signed.....

date.....

July 29, 2020

Grant Thornton Audit S.R.L.

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Independent Auditor's Report

To: Management of Rural Resilience Project (RRP)

Opinion

We have audited the accompanying Special Purpose Project Financial Statements of the "Rural Resilience Project (RRP)" ("the Project"), for the period January 01, 2019 – December 31, 2019, which comprise of the Summary of Sources and Uses of Funds, the Designated Account Statement, the Project Account Statement, the Statement of Expenditures (SOE) by Withdrawal Application and other explanatory notes to the Special purpose Project Financial Statements, including a summary of significant accounting policies ("the Special purpose Project Financial Statements").

The Project is financed under the Financing Loan Agreement no. 2000001702, Grant Agreement no. 2000001701, Loan Agreement no. 2000001703 ("Financing Agreements") dated November 16, 2016 concluded between the Government of the Republic of Moldova and the International Fund for Agricultural Development ("IFAD").

In our opinion, the accompanying Special Purpose Project Financial Statements for the period January 01, 2019 – December 31, 2019 have been prepared, in all material respects, in accordance with the cash basis of accounting and IFAD Handbook for Financial Reporting and Auditing of IFAD-Financed Projects as described in Special Purpose Project Financial Statements.

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 responsibility for the audit of Special purpose Project financial statements* section of our report. We are independent of the Project in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the Special purpose Project financial statements in the Republic of Moldova, including the law, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter

We draw attention to the Special Purpose Project Financial Statements, which describe the basis of accounting. The IPSAS cash basis of accounting was used in the preparation of these Special Purpose

Project Financial Statements since the recording of cash receipts and payments is of primary interest. Under the cash basis income (and expenditure) is recognized when cash is received (or paid) irrespective of when goods or services are received (delivered).

As described in the Special Purpose Project Financial Statements, a major coronavirus outbreak (Covid-19) occurred in the first quarter 2020, adversely affecting the daily routine of the general public, and, conversely, the Projects's performance. The Projects's performance closely depends on the duration of this outbreak, the effective measures taken by the general public and the authorities in curbing the outbreak. The economic consequences and uncertainties resulting from the Coronavirus itself or from actions taken by governments and the private sector to respond to the outbreak may have an impact on various financial indicators and ultimately on the Projects's terms and completion. Our opinion is not modified in respect of this matter.

Other matters

These Special Purpose Project Financial Statements have been prepared solely for complying with the provisions specified. As a result, these Special Purpose Project Financial Statements may not be suitable for any other purpose. Our report is intended solely for the information and use of Project Management and IFAD and should not be distributed to or used by any other parties. Our opinion is not modified in respect of this matter.

Responsibilities of management for the Special Purpose Project Financial Statements

Management is responsible for the preparation and fair presentation of these Special Purpose Project Financial Statements in accordance with the cash receipts and disbursements basis of accounting as described in Special Purpose Project Financial Statements; this includes determining that the cash receipts and disbursements basis of accounting is an acceptable basis for the preparation of the Special purpose Project financial statements in the circumstances, and for such internal control as management determines is necessary to enable the preparation of the Special purpose Project financial statements that are free from material misstatement, whether due to fraud or error.

Those charged with governance are responsible for overseeing the Project's financial reporting process.

Auditor's responsibility for the audit of Special Purpose Project Financial Statements

The objectives of our audit are to obtain reasonable assurance about whether the Special Purpose Project Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 the basis of these Special purpose Project financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the planning and performance of the audit. We also:

- Identify and assess the risks of material misstatement of the Special purpose Project financial statements, 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 an 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.

- Evaluate the overall presentation, structure and content of the Special purpose Project financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- These Special purpose Project financial statements are prepared in accordance with the cash receipt and disbursement basis of accounting and do not include any assets and liabilities. Therefore going concern basis of accounting is not one of the major presumption under which these Special purpose Project financial statements are prepared.

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.

Grant Thornton Audit S.R.L.
Chisinau, Republic of Moldova
24 July 2020


Grant Thornton



**RURAL RESILIENCE PROJECT,
FINANCED UNDER LOAN AGREEMENT No. 2000001702, GRANT 2000001701, AND GRANT
2000001703 (IFAD VII)
SUMMARY OF SOURCES AND USES OF FUNDS
FOR THE YEAR ENDED 31 DECEMBER 2019**

The following statement summarizes the sources and uses of funds of IFAD Project (the "Program") for the year ended 31 December 2019 in accordance with the provisions of the Project Loan Agreement No **2000001702** (the "Loan **2000001702**"), the Project Grant Agreement No **2000001701** (the Grant "**2000001701**"), and the Project Grant Agreement No **2000001703** (the "Grant **2000001703**"), dated 11 April 2017 concluded between the International Fund for Agricultural Development (the "Fund"), the Republic of Moldova ("the Borrower") and the Consolidated Project Implementation Unit (the "Project"). This statement and attachments have been prepared from the accounting and other records of the Program and is compiled to reflect the amounts received and spent in relation to the Agreement.

	Notes	2019 USD	2018 USD	Cumulative USD
(IFAD VII Loan 2000001702)				
Opening Balance:				
Project special account (USD)		1,497,590	0	-
Project current account (MDL)		1,375	0	-
		1,498,965	0	
Financing:				
Contribution of IFAD in accordance with Loan 2000001702	3	1,699,576	1,500,000	3,199,576
Total Financing		1,699,576	1,500,000	3,199,576
Statement of expenditures:				
Statement of expenditures:				
Consultancies, Studies and Technical Assistance		5,994		5,994
Credit, Guarantee Funds		2,698,770		2,698,770
Equipment and Materials, Goods and Services		9,058	1,035	10,093
Workshops and Trainings		1,609		1,609
	4	2,715,431	1,035	2,716,466
<u>Other funds expenses</u>				
Operating Costs (Government contribution)	4			
Foreign exchange (gain)/ loss		-	-	-
Total Expenditures		2,715,431	1,035	2,716,466
Closing Balance				
Project special account (USD)		483,105	1,497,590	483,105
Project current account (MDL)		5	1,375	5
		483,110	1,498,965	483,110

 **Grant Thornton**
FOR IDENTIFICATION PURPOSES
signed.....
date... *July 29, 2020*

**RURAL RESILIENCE PROJECT,
FINANCED UNDER LOAN AGREEMENT No. 2000001702, GRANT 2000001701, AND GRANT
2000001703 (IFAD VII)
SUMMARY OF SOURCES AND USES OF FUNDS
FOR THE YEAR ENDED 31 DECEMBER 2019**

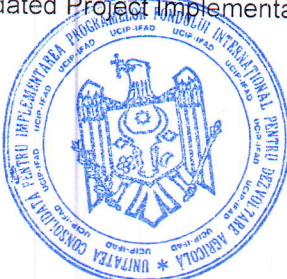
	Notes	2019 USD	2018 USD	Cumulative USD
(ASAP Grant 2000001701)				
Opening Balance:				
Project special account (USD)		450,953	-	-
Project current account (MDL)		533	-	-
		451,486	-	-
Financing:				
Contribution of IFAD VI in accordance with Grant 2000001701	3	1,354,489	500,000	1,854,489
Total Financing		1,354,489	500,000	1,854,489
Expenditures				
Statement of expenditures:				
Consultancies, Studies and Technical Assistance		28,635	2,208	30,843
Equipment and Materials, Goods and Services		28,035	-	28,035
Grant and Subsidies		209,431	35,345	244,776
Workshops and Trainings		-	-	-
Works		-	-	-
Salaries and Allowances		11,136	10,961	22,097
Operating Costs		-	-	-
	4	277,237	48,514	325,751
Other funds expenses				
Operating Costs (Government contribution)		-	-	-
Foreign exchange (gain)/ loss		-	-	-
Total Expenditures		277,237	48,514	325,751
Closing Balance				
Project special account (USD)		1,521,181	450,953	1,521,181
Project current account (MDL)		7,557	533	7,557
		1,528,738	451,486	1,528,738

**RURAL RESILIENCE PROJECT,
FINANCED UNDER LOAN AGREEMENT No. 2000001702, GRANT 2000001701, AND GRANT
2000001703 (IFAD VII)
SUMMARY OF SOURCES AND USES OF FUNDS
FOR THE YEAR ENDED 31 DECEMBER 2019**

	Notes	2019 USD	2018 USD	Cumulative USD
(IFAD Grant 2000001703)				
Opening Balance:				
Project special account (USD)		49,175	-	-
Project current account (MDL)		15	-	-
		49,190	-	-
Financing:				
Contribution of IFAD in accordance with Grant 2000001703	3	-	50,000	50,000
Total Financing		-	50,000	50,000
Statement of expenditures:				
Consultancies, Studies and Technical Assistance		2,549	810	3,359
Workshops and Trainings		20,837	-	20,837
	4	23,386	810	24,196
Other funds expenses				
Foreign exchange (gain)/ loss				-
Total Expenditures		23,386	810	24,196
Closing Balance				
Project special account (USD)		25,621	49,175	25,621
Project current account (MDL)		183	15	183
		25,804	49,190	25,804
(Third party's contribution)				
Opening Balance:				
Project current account (MDL)		-	-	-
		-	-	-
Financing:				
Third party's contribution	3	43,125	-	43,125
Total Financing		43,125	-	43,125
Statement of expenditures:				
Works		-	-	-
	4	-	-	-
Total Expenditures		-	-	-
Closing Balance				
Project current account (MDL)		43,125	-	43,125
		43,125	-	43,125

These Special-Purpose Project Financial Statements and accompanying notes were prepared and approved on behalf of the Consolidated Project Implementation Unit on 24 July 2020 by:

Victor Rosca
Project Director

Svetlana Brumarel
Project Accountant



Grant Thornton
FOR IDENTIFICATION PURPOSES

signed.....
date..... July 29, 2020

**RURAL RESILIENCE PROJECT,
FINANCED UNDER LOAN AGREEMENT No. 2000001702, GRANT 2000001701, AND GRANT
2000001703 (IFAD VII)**

STATEMENT OF SPECIAL ACCOUNT AND PROJECT ACCOUNTS

FOR THE YEAR ENDED 31 DECEMBER 2019

In accordance with the specified Agreement, the Borrower shall, for the purposes of the Program, open and maintain at Chisinau Territorial Treasury - State, a Special Account denominated in US Dollars for the purpose of financing the Loan **2000001702** and another two – for the purpose of financing the Grant **2000001701** and **2000001703**. Receipts into, and payments out of, the Special Accounts shall be made in accordance with the provisions of Article II of the Agreement. The Borrower opened the US Dollar account number 3261884074 /USD for the Loan **2000001702**, account number 3261484076 /USD for the Grant **2000001701**, and account number 3261184075/USD respectively for the Grant **2000001703**-purposes at National Bank of Moldova (located in the Republic of Moldova, in Chisinau, at 1 Grigore Vieru Avenue).

The movements of the Special Accounts for the year ended 31 December 2019 and 31 December 2018 were as follow:

Project special account (USD) (IFAD Loan 2000001702)		2019 USD	2018 USD
Opening Balance as at 1 January	Notes	1,497,590	0
Receipts			
Replenishments	3	1,699,576	1,500,000
		1,699,576	1,500,000
Payments			
Amount of fund transferred to Project current account (MDL)		2,522,630	2,410
Amount of eligible expenditure spent during the period		191,431	
		2,714,061	2,410
Closing balance as at 31 December		483,105	1,497,590

Project special account (USD) (ASAP Grant 2000001701)		2019 USD	2018 USD
Opening Balance as at 1 January	Notes	450,953	-
Receipts			
Replenishments	3	1,354,489	500,000
		1,354,489	500,000
Payments			
Amount of eligible expenditure spent during the period			
Amount of funds transferred to Project current account (MDL)		284,261	49,047
		284,261	49,047
Closing balance as at 31 December		1,521,181	450,953



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date.....

July 29, 2020

RURAL RESILIENCE PROJECT,
FINANCED UNDER LOAN AGREEMENT No. 2000001702, GRANT 2000001701, AND GRANT
2000001703 (IFAD VII)

STATEMENT OF SPECIAL ACCOUNT AND PROJECT ACCOUNTS


FOR THE YEAR ENDED 31 DECEMBER 2019

Project special account (USD) (IFAD Grant 2000001703)	Notes	2019 USD	2018 USD
Opening Balance as at 1 January		49,175	-
Receipts			
Replenishments	3	-	50,000
Payments		-	50,000
Amount of eligible expenditures paid during the period		-	-
Amount of funds transferred to Project current account (MDL)		23,554	825
		23,554	825
Closing balance as at 31 December		25,621	49,175

In addition the Consolidated Project Implementation Unit opened and thereafter maintained a Project current account denominated in Moldavian Leu (MDL) at Chisinau Territorial Treasury - State. The Borrower opened the MDL accounts number 227201/MDL for Loan 2000001702 and beneficiary Contribution related to Loan and respectively MDL accounts number 227101/MDL for Grant 2000001701 and Grant 2000000703 - purposes at Chisinau Territorial Treasury - State (located at Republic of Moldova, Chisinau, 7 Constantin Tanase).

The movements of the Special Accounts for the year ended 31 December 2019 and 31 December 2018 were as follows:

Project current account (MDL) (IFAD Loan 2000001702)	2019 In USD	2018 In USD
Opening Balance as at 1 January	1,375	-
Receipts		
Amount of funds transferred from Project Special account (USD)	2,522,630	2,410
	2,522,630	2,410
Payments		
Amount of eligible expenditures paid during the period	2,524,000	1,035
	2,524,000	1,035
Foreign exchange (gain)/ loss	-	-
Closing balance 31 December	5	1,375

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date July 29, 2020

RURAL RESILIENCE PROJECT,
FINANCED UNDER LOAN AGREEMENT No. 2000001702, GRANT 2000001701, AND GRANT
2000001703 (IFAD VII)

STATEMENT OF SPECIAL ACCOUNT AND PROJECT ACCOUNTS

FOR THE YEAR ENDED 31 DECEMBER 2019

Project current account (MDL)
(ASAP Grant 2000001701)

Opening Balance as at 1 January

Receipts

Amount of funds transferred from Project Special
account (USD)

Payments

Amount of eligible expenditures paid during the period

Closing balance as at 31 December

2019
In USD

2018
In USD

533

-

284,261

49,047

284,261

49,047

277,237

48,514

277,237

48,514

7,557

533

Project current account (MDL)
(IFAD VI Grant 2000001703)

Opening Balance as at 1 January

Receipts

Amount of funds transferred from Project Special
account (USD)

Payments

Amount of eligible expenditures paid during the period

Closing balance as at 31 December

2017
USD

2016
USD

15

-

23,554

825

23,554

825

23,386

810

23,386

810

183

15

Third party's contribution account (MDL)
(IFAD Loan 2000001702)

Opening Balance as at 1 January

Receipts

Contribution from third parties (beneficiaries'
contribution)

Payments

Amount of eligible expenditures paid during the period

Closing balance as at 31 December

2019
In USD

2018
In USD

-

-

43,125

-

43,125

-

-

-

-

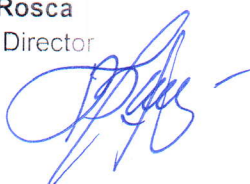
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43,125

-

These Special-Purpose Project Financial Statements and accompanying notes were prepared and approved on behalf of the Consolidated Project Implementation Unit on 24 July 2020 by:

Victor Rosca
Project Director




Svetlana Brumarel
Project Accountant




Grant Thornton

FOR IDENTIFICATION PURPOSES

signed.....

date: July 29, 2020

RURAL RESILIENCE PROJECT,
FINANCED UNDER LOAN AGREEMENT No. 20000001702, GRANT 20000001701, AND GRANT 20000001703 (IFAD VII)

STATEMENT OF EXPENDITURES BY WITHDRAWAL APPLICATION AND CATEGORY OF EXPENDITURES
FOR THE YEAR ENDED 31 DECEMBER 2019

The following schedule summarizes all withdrawals of proceeds of the Loan Agreement No 20000001702 provided by the Fund for the Period 14 August 2017 – 31 December 2019 in accordance with the categories of eligible expenditures to be financed as stipulated in the Schedule 2 of the Loan Agreement. This statement has been prepared from the accounting and other records of the Consolidated Project Implementation Unit.

WA No.	Period	Consultancies, Studies and Technical Assistance	Credit, Guarantee Funds	Equipment and Materials, Goods and Services	Grant and Subsidies	Workshops and Trainings	Total
2	04.04.2018-31.12.2018	-	-	-	-	-	-
	Total expenditures 2018			1,035	-	-	1,035
2	01.01.2019-04.06.2019	-	-	1,035	-	-	1,035
3	05.06.2019-10.07.2019	-	1,156,002	-	-	-	1,156,002
4	11.07.2019-31.10.2019	5,683	536,856	-	-	-	542,539
5	01.11.2019-31.12.2019	311	613,480	-	-	1,609	615,400
	Total expenditures 2019	5,994	2,698,770	9,058	-	-	401,490
	Total	5,994	2,698,770	10,093	-	1,609	2,715,431
					-	1,609	2,716,466

**RURAL RESILIENCE PROJECT,
FINANCED UNDER LOAN AGREEMENT No. 2000001702, GRANT 2000001701, AND GRANT 2000001703 (IFAD VII)**

STATEMENT OF EXPENDITURES BY WITHDRAWAL APPLICATION AND CATEGORY OF EXPENDITURES

FOR THE YEAR ENDED 31 DECEMBER 2019

The following schedule summarizes all withdrawals of proceeds of the Grant Agreement 2000001701 provided by the Fund for the Period 14 August 2017 – 31 December 2019 in accordance with the categories of eligible expenditures to be financed as stipulated in the Schedule 2 of the Loan Agreement. This statement has been prepared from the accounting and other records of the Consolidated Project Implementation Unit.

WA No.	Period	Consultancies, Studies and Technical Assistance	Equipment and Materials, Goods and Services	Grant and Subsidies	Salaries and Allowances	Total
2	04.03.2018-16.12.2018	2,208	-	30,390	9,823	42,421
4	17.12.2018-31.12.2018	-	-	4,955	1,138	6,093
	Total expenditures 2018	2,208	-	35,345	10,961	48,514
4	01.01.2019-11.04.2019	674	5,495	51,833	2,551	60,553
6	12.04.2019-10.07.2019	5,014	40	114,526	2,842	122,422
7	11.07.2019-31.10.2019	15,242	-	12,235	3,425	30,902
8	01.11.2019-31.12.2019	7,705	22,500	30,837	2,318	63,360
	Total expenditures 2019	28,635	28,035	209,431	11,136	277,237
	Total	30,843	28,035	244,776	22,097	325,751

The following schedule summarizes all withdrawals of proceeds of the Grant Agreement 2000001703 provided by the Fund for the Period 14 August 2017 – 31 December 2019 in accordance with the categories of eligible expenditures to be financed as stipulated in the Schedule 2 of the Loan Agreement. This statement has been prepared from the accounting and other records of the Consolidated Project Implementation Unit.

WA No.	Period	Consultancies, Studies and Technical Assistance	Workshops and Trainings	Total
2	04.03.2018-16.12.2018	810	-	810
	Total 2018	810	-	810
2	01.01.2019-31.12.2019	2,549	20,837	23,386
	Total 2019	2,549	20,837	23,386
	Total	3,359	20,837	24,196

These Special-Purpose Project Financial Statements and accompanying notes were prepared and approved on behalf of the Consolidated Project Implementation Unit on 24 July 2020 by:

Victor Rosca
Project Director

Svetlana Brumarel
Project Accountant



**RURAL RESILIENCE PROJECT,
FINANCED UNDER LOAN AGREEMENT No. 2000001702, GRANT 2000001701, AND GRANT
2000001703 (IFAD VII)
NOTES TO SPECIAL-PURPOSE PROJECT FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

1 GENERAL INFORMATION

The Rural Resilience Project, (RRP) the IFAD VII – funded Project in Moldova, has been launched in August 2017 and is expected to be finalized in September 2023. The total amount of loan and grants for the investment and incremental recurrent Project cost are about USD 23,7 million.

The overall goal of the Project is to improve the wellbeing of Moldova's rural population and contribute to poverty reduction.

The development objective of the Project is to strengthen the resilience and improve economic opportunities for the rural poor. In terms of categorisation the major *target groups* are as following:

(i) *Agribusiness*, mainly small and medium size enterprises; (ii) *Smallholder farmers*, especially semi-subsistence and commercially oriented smallholder farmers; (iii) *Young entrepreneurs* are a crosscutting target group facing unique challenges and opportunities that also require tailor-made targeting strategies; (iv) *Smallholder women farmers* belonging to vulnerable households, sensitive to poverty and climate change, also comprise a crosscutting target group.

The Project is implemented through its four components:

Project Components

The RRP would have four components:

- (i) Improve smallholders and agribusinesses' adaptive capacity;
- (ii) Agribusiness development support;
- (iii) Program Management.

None of the components are 'standalone' but have been designed to be complementary and mutually reinforcing to achieve coherent and maximum impact.


Component 1: Improve smallholders and agribusinesses' adaptive capacity

This component will aim at enhancing the resilience through investments in productive rural infrastructure and Agri-systems. This component will address the Climate Change adaptation priorities identified by the Moldovan government and will operate under two subcomponents

This Component shall consist of two Sub-Components.

Sub-Component 1.1: Climate-resilient water management and infrastructure development. This Sub-Component support investments in productive rural infrastructure to remove the bottlenecks hampering the consolidation and expansion of competitive farms and village-based agri-business and to foster the adoption of climate smart technologies.

Sub-Component 1.2: Farmers' adaptation through climate resilient investments. This Sub-Component include: (a) support smallholder farmers in the adoption of climate-resilient crop production systems and technologies, through investment grants and capacity development support; (b) support food/nutrition security and business diversification of women groups in high climate- and poverty-vulnerable areas, and; (c) support public and private investments in ecological restoration measures aiming to reduce climate-related risks and improve ecosystem services for agriculture.

 **Grant Thornton**
FOR IDENTIFICATION PURPOSES
signed.....
date July 29, 2020

**RURAL RESILIENCE PROJECT,
FINANCED UNDER LOAN AGREEMENT No. 2000001702, GRANT 2000001701, AND GRANT
2000001703 (IFAD VII)
NOTES TO SPECIAL-PURPOSE PROJECT FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

1. GENERAL INFORMATION (continued)

Component 2: Agribusiness development support

The expected outcome of the component will be to enhanced access to financial services and markets for rural transformation. The component is set up with three subcomponents:

Sub-Component 2.1: Term finance for Micro, small and medium enterprises (MSMEs) will support the investments (including some working capital up to 20 per cent of the total loan) of MSMEs in Moldova.

Sub-Component 2.2: Credit Guarantees for MSMEs, under which the Government of Moldova will be assisted to create the Moldova Credit Guarantee Fund to provide inter-bank guarantees for loans granted to MSMEs by licensed financial institutions.

Sub-Component 2.3: Technical support to MSMEs which includes a number of smaller, but important measures to widen and deepen the impacts of other components, comprising technical support to agrobusiness, youth entrepreneurs and Saving and Credit Associations.

Component 3: Program Management

This Component shall finance the management and implementation of the Project as per this Agreement.

Budget allocation

In accordance with the **Loan Agreement No 2000001702, grant No. 2000001701, grant No. 2000001703**, dated 20 February 2014, and **grant No. 2000000703** dated 22 September 2014; categories of items to be financed out of proceeds of the Loan, the allocation of the amounts to each category, and the percentage of expenditures for items to be financed in each category are as follows:

Category	IFAD Loan Amount Allocated No 2000001702 (USD)	IFAD Grant Amount Allocated No. 2000001703 (USD)	GEF Grant Amount Allocated No 2000001701 (USD)	% of eligible expenditure to be financed
I. Consultancies	695,000	250,000	1,035,000	100% net of taxes
II. Credit and guarantee funds	10,445,000	-	-	100% net of taxes
III. Equipment and Materials, Goods and Services	45,000	-	25,000	100% net of taxes
IV. Grant	225,000	-	2,810,000	100% net of taxes
V. Workshops and trainings	340,000	180,000	60,000	100% net of taxes
VI. Works	3,875,000	-	465,000	100% net of taxes
VII. Salaries and Allowances	570,000	-	60,000	100% net of taxes
VIII. Operating Costs	185,000	20,000	45,000	100% net of taxes
Unallocated	1,820,000	50,000	500,000	
TOTAL	18,200,000	500,000	5,000,000	



Grant Thornton

FOR IDENTIFICATION PURPOSES

signed.....

date.....

July 29, 2020

RURAL RESILIENCE PROJECT,
FINANCED UNDER LOAN AGREEMENT No. 2000001702, GRANT 2000001701, AND GRANT
2000001703 (IFAD VII)
NOTES TO SPECIAL-PURPOSE PROJECT FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

1. GENERAL INFORMATION (continued)

The address of the Agricultural Revitalization Project is as follows: 162 Stefan cel Mare Street, 1303 office, Chisinau MD 2033, Republic of Moldova.

2 SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

The special-purpose Project financial statements have been prepared in accordance with relevant IFAD guidelines.

The Cash Basis IPSAS was used in the preparation of these special-purpose Project financial statements since the recording of cash receipts and payments is of primary interest. Under the cash basis income (and expenditure) is recognized when cash is received (or paid) irrespective of when goods or services are received.

All amounts are expressed in USD.

Eligible categories and expenditures

Eligible categories mean categories (I) to (VI) set in the table attached to point one (General Information) according to the Schedule 1 and 2 of **Loan Agreement No 2000001702, grant No. 2000001701, grant No. 2000001703** dated 11 April 2017 ("Loan Agreement").


Equipment and goods mean eligible expenditures for office refurbishment, vehicles, office equipment and office furniture necessary for the Project implementation.

Technical assistance support means eligible expenditures for technical assistance for participatory community development, capacity building, project management and support for community development activities.

Operating costs or Overheads means eligible expenditures for the implementation of the CPIU-IFAD.

Cash and cash equivalents

Cash and cash equivalents comprise mainly cash at Chisinau Territorial Treasury - State, represented by non-interest-bearing Special Account and Third party's contribution Special Account and by non-interest-bearing Project account.

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date... July 29, 2020

RURAL RESILIENCE PROJECT,
FINANCED UNDER LOAN AGREEMENT No. 2000001702, GRANT 2000001701, AND GRANT
2000001703 (IFAD VII)
NOTES TO SPECIAL-PURPOSE PROJECT FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currency translation

The Project special purpose financial statements are presented in USD, which is also the Fund's functional currency. The Project has elected not to recognize the gain or loss that arises from the transactions and balances denominated in other currency than USD in the caption of **other expenses**.

i) Transactions and balances - **Project current account (MDL)**

The inflow of cash into the above account that comes from Project special account (USD) is denominated in USD at the official exchange rate of the National Bank of Moldova used for converting the amount in USD to MDL.

The inflow of cash into the above account that comes from other Project current accounts (MDL) is denominated in USD at the historical exchange rate of the Project current account that records an outflow.

The outflow of cash out from the above account is denominated in USD at the historical exchange rate using the method FIFO (first in first out).

The closing balance at the end of each reporting period is recorded using the FIFO method.

ii) Transactions and balances - **Third party's contribution account (MDL)**

The inflow of cash into the above account from third party's contribution is denominated in USD at NBM official exchange rate at the date of the transaction.

The outflow of cash out from the above account is denominated in USD at the historical exchange rate using the method FIFO (first in first out), analytically for each third party individually.

The closing balance at the end of each reporting period is translated into USD equivalent using the official exchange rate of the NBM for that date

Procurement

The CPIU-IFAD shall procure all goods, civil works and services financed by the Loan in accordance with Schedule 4 of the Loan Agreement.

All procurement of goods and civil works financed by the Loan shall be subject to the provisions of the "Guidelines for Procurement under Financial Assistance from the International Fund for Agricultural Development of 1982".

RURAL RESILIENCE PROJECT,
FINANCED UNDER LOAN AGREEMENT No. 2000001702, GRANT 2000001701, AND GRANT
2000001703 (IFAD VII)
NOTES TO SPECIAL-PURPOSE PROJECT FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

3 WITHDRAWAL APPLICATION SCHEDULE

Withdrawals of proceeds of the Loan shall be made in accordance with categories of items to be financed in amounts as set forth in revised Schedule 2 of the Loan Agreement. During the Program Life there were received the following amounts:

Loan No 2000001702


Withdrawal Application No	Year	Value Date	Total USD	Total USD
WA01	2018	4-Apr-18	1,500,000	1,500,000
Total receipts 2018			1,500,000	1,500,000
WA02	2019	14-Jun-19	1,157,037	1,157,037
WA03	2019	17-Jul-19	542,539	542,539
Total receipts 2019			1,699,576	1,699,576
Total receipts			3,199,576	3,199,576

Grant 2000001701

Withdrawal Application No	Year	Value Date	Total USD	Total USD
WA01	2018	4-Apr-18	500,000	500,000
Total receipts 2018			500,000	500,000
WA02	2018	3-Jan-19	42,421	42,421
WA03	2019	3-Jan-19	700,000	700,000
WA04	2019	29-Apr-19	66,646	66,646
WA05	2019	5-Jul-19	423,000	423,000
WA06	2019	17-Jul-19	122,422	122,422
Total receipts 2019			1,354,489	1,354,489
Total receipts			1,854,489	1,854,489

Grant 2000001703

Withdrawal Application No	Year	Value Date	Total USD	Total USD
WA01	2018	4-Apr-18	50,000	50,000
Total receipts 2019			50,000	50,000

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date July 29, 2020

**RURAL RESILIENCE PROJECT,
FINANCED UNDER LOAN AGREEMENT No. 2000001702, GRANT 2000001701, AND GRANT 2000001703 (IFAD VII)
NOTES TO SPECIAL-PURPOSE PROJECT FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

4 OVERALL BUDGET REALIZATION

The budget realization for the Loan No 2000001702 as of 31 December 2019 by Project categories of expenditures is as follows:

	Allocated in the procurement budget USD	Allocated to date USD	Used to date USD	Variance USD	Budget realization %
<i>I. Consultancies, Studies and Technical Assistance</i>	695,000	5,683	5,994	689,006	1%
<i>II. Credit, Guarantee Funds</i>	10,445,000	1,692,858	2,698,770	7,746,230	26%
<i>III. Equipment and Materials, Goods and Services</i>	45,000	1,035	10,093	34,907	22%
<i>IV. Grant and subsidies</i>	225,000	-	-	225,000	0%
<i>V. Workshops and Trainings</i>	340,000	-	1,609	338,391	0%
<i>VI. Works</i>	3,875,000	-	-	3,875,000	0%
<i>VII. Salaries and Allowances</i>	570,000	-	-	570,000	0%
<i>VIII. Operating Costs</i>	185,000	-	-	185,000	0%
<i>Unallocated</i>	1,820,000	1,500,000	-	1,820,000	0%
	18,200,000	3,199,576	2,716,466	15,483,534	15%

**RURAL RESILIENCE PROJECT,
FINANCED UNDER LOAN AGREEMENT No. 20000001702, GRANT 2000001701, AND GRANT 2000001703 (IFAD VII)
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The budget realization for the Grant No 2000001701 as of 31 December 2019 by Project categories of expenditures is as follows:

	Allocated as per the procurement budget USD	Allocated to date USD	Used to date USD	Variance USD	Budget realization %
<i>I. Consultancies, Studies and Technical Assistance</i>	1,035,000	30,843	30,843	1,004,157	3%
<i>III. Equipment and Materials, Goods and Services</i>	25,000	28,035	28,035	(3,035)	112%
<i>IV. Grant and Subsidies</i>	2,810,000	244,776	244,776	2,565,224	9%
<i>V. Workshops and Trainings</i>	60,000	-	-	60,000	0%
<i>VI. Works</i>	465,000	-	-	465,000	0%
<i>VII. Salaries and Allowances</i>	60,000	22,097	22,097	37,903	37%
<i>VIII. Operating Costs</i>	45,000	-	-	45,000	0%
<i>Unallocated</i>	500,000	1,528,738	-	500,000	0%
	5,000,000	1,854,489	325,571	4,674,249	7%

The budget realization for the Grant No 2000001703 as of 31 December 2019 by Project categories of expenditures is as follows:


	Allocated as per the procurement budget USD	Allocated to date USD	Used to date USD	Variance USD	Budget realization %
<i>I. Consultancies, Studies and Technical Assistance</i>	250,000	3,359	3,359	246,641	1%
<i>V. Workshops and Trainings</i>	180,000	20,837	20,837	159,163	12%
<i>Unallocated</i>	70,000	25,804	-	70,000	0%
	500,000	50,000	24,196	475,804	5%

RURAL RESILIENCE PROJECT,
FINANCED UNDER LOAN AGREEMENT No. 2000001702, GRANT 2000001701, AND GRANT
2000001703 (IFAD VII)
NOTES TO SPECIAL-PURPOSE PROJECT FINANCIAL STATEMENTS
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5 EVENTS AFTER THE REPORTING PERIOD

In the special-purpose Project financial statements, being prepared on the cash basis all amounts received were presented in this statement, but in 2019 were prepared three withdrawal applications for receiving the funds for USD 1,195,263.51 and the payment was received on the account of UCIP-IFAD on 07 and 08 January 2020.

A major Coronavirus outbreak occurred in the first quarter 2020, adversely affecting the daily routine of the project and its beneficiaries, and of the whole business environment, therefore, the Project's performance. The Project's performance depends on the duration of this outbreak, the effective measures taken by the personnel and the authorities in curbing the outbreak. The economic consequences and uncertainties resulting from the Coronavirus itself or from actions taken by governments and the private sector to respond to the outbreak may have an impact on the personnel of the Project and / or on various financial indicators, program objectives, and ultimately on the Project's completion objectives and delivery terms.

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date July 29, 2020