REPORT ON THE JAPANESE GRANT PHRD OF MINISTRY OF LABOR, FAMILY, SOCIAL PROTECTION AND ELDERLY

JAPANESE GRANT PHRD (TF010417) RELATED TO PROJECT FOR IMPROVED POLICY-MAKING AND INSTITUTIONAL FRAMEWORK FOR PERSONS WITH DISABILITIES

31st of DECEMBER 2015
MINISTRY OF LABOR, FAMILY, SOCIAL PROTECTION AND ELDERLY
JAPANESE GRANT PHRD (TF010417) RELATED TO PROJECT FOR IMPROVED
POLICY-MAKING AND INSTITUTIONAL FRAMEWORK FOR PERSONS WITH
DISABILITY PROJECT
31 DECEMBER 2015 – all the amounts are expressed in USD, unless otherwise stated

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INDEPENDENT AUDITOR’S REPORT
TO THE MINISTRY OF LABOR, FAMILY, SOCIAL PROTECTION AND ELDERLY
(THE MINISTRY) – PROJECT MANAGEMENT UNIT (PMU) - PROJECT FOR
IMPROVED POLICY-MAKING AND INSTITUTIONAL FRAMEWORK FOR
PERSONS WITH DISABILITIES

Report on the Financial Statements of the Project

1. We have audited the accompanying financial statements of the Project for Improved Policy –
   Making and Institutional Framework („The Project”) for period 01st of January 2015 until 31st
   December 2015. The Project is financed through the Japan PHRD technical assistance grant
   through the International Bank for Reconstruction and Development (IBRD) concluded on 25th
   of April 2012 with the subsequent addenda and it was financed by Japanese Grant for technical
   assistance no. PHRD TF010417. The audited financial statements for the period 01st of January
   2015 until 31st December 2015 consist of: Statement of Resources and Expenditures, Statement
   of Expenditures, Statement of the Loan Account, Statement of the Designated Account and other
   explanatory notes.

Board of Administrators’ Responsibility for the Financial Statements

2. Management is responsible for the preparation of these financial statements in accordance with
   the financial reporting provisions of the grant agreement, 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.

Auditors’ Responsibility

3. Our responsibility is to express an opinion on these financial statements based on our audit. We
   conducted our audit in accordance with the Audit Standards issued by the Chamber of Auditors
   of Romania which are based on International Standards on Auditing and in accordance with the
   appropriate World Bank guidelines. 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.

4. 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 the Ministry, as well as evaluating the overall presentation of the financial statements of the Project.

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

Unqualified Opinion

6. In our opinion, the financial statements of the Project: Improved policy-making and institutional framework for persons with disabilities for period 01\textsuperscript{st} of January 2015 until 31\textsuperscript{st} December 2015 are prepared, in all material respects, in accordance with the financial reporting provisions of the grant agreement updated with all subsequent amendments.

Emphasis of matters

7. Without qualifying our opinion, we draw attention to the following:

a) As mentioned in Note 4 „Subsequent Events”, letter a) „Contingencies”, the agreement no.1/05.02.2014 concluded between the Ministry and JV European Profiles-Greece as the leader of the association for consultancy services for the development and implementation of harmonized criteria for evaluation of persons with disability and for a unified institutional structure, ended as of 04.07.2016, deadline established by Addendum no. 3/04.11.2015. The implementation stage of the contract is described as follows:
   a. European Profiles-Greece represented by SCA Trandafir & Asociații sent the Invitation to Conciliation/Prior Complaint no. 541/29.07.2016 invoking the non-compliance by the Ministry with the contractual terms and the refusal to amend the Contract;
   b. According to the Prior Complaint, the total value of the services which European Profiles-Greece put in discussion is at least of USD 420,861,82 and it refers to:
      i. USD 410,909,00 for the services undertaken under the agreement, out of which the amount of USD 105,155 issued by invoice no. 874/28.11.2014 was not recorded in accounting, as related deliverables were not accepted;
      ii. USD 4,636,22 for penalties calculated for late payment of the advance, for which invoice no. 113B/10.07.2014 was issued, but were not recorded in accounting, as related deliverables were not accepted;
      iii. USD 5,316,60 representing other services which were not invoiced;
      iv. At this request, the Ministry replied by letter no. 5283/DP/16.08.2016 stating that „.....the invitation to conciliation is pointless”.
   c. The Ministry did not make any estimation regarding the amounts that could be requested by the court in case of potential future litigation or the probability of loss in such case;
d. The performance guarantee issued by Bank Guarantee Letter no. 473436/18.02.2014 has expired without being enforced by PMU for inadequate services.

b) During 2014 the Ministry has registered itself with Romanian fiscal authorities as VAT payer and calculated VAT on the remuneration and reimbursable costs invoiced by the consultant and paid it to the state budget. This actions in respect of VAT may expose the Ministry to certain sanctions and/or penalties from fiscal authorities depending on their interpretation of the VAT regulations, especially since in accordance with Art. 38.1 of the Contract, the declaration and payment of indirect taxes is the responsibility of the Consultant.

The total value of the VAT and VAT treatment are presented in Note 3. In accordance with management’s recommendations and comments made to the financial statements as per December 2014, we did not receive any additional information regarding VAT tax treatment in the current year.

c) As mentioned in the Note 4. „Subsequent events”, letter b) „Duration of Grant Agreement”, World Bank acting as the administrator of the grant funds (World Bank – IBRD) notified on 24th of October 2016 the Beneficiary (Romania) regarding the extention for 12 months, until 25th of October 2017 of the grant agreement PHRD TF010417. With regard to this extention of the period the Beneficiary has not yet approved the notification received from PMU.

d) As mentioned in the Note 1 “Legislation and the fiscal environment in Romania“ to the financial statements, the legal system from Romania is affected by macroeconomic factors which include influences of the worldwide economic changes. As a result of this, the Romanian Government might change the fiscal and monetary policy. Due also to the above mentioned aspects there might be a negative impact on the evolution of the Project.

e) The Project Financial Statements were prepared for complying with the Grant requirements and with the appropriate World Bank guidelines, and therefore are not intended to be a complete presentation of the Project’s operations.
Other matter

8. This report, including the opinion, has been prepared for the use of the Project Management Unit from Ministry of Labor, Family, Social Protection and Elderly and submission to the International Bank for Reconstruction and Development and should not be used for any other purposes beside those meant for a financial audit report. Within the boundaries of the law, we do not, in giving this opinion, accept or assume responsibility for any other purposes or to any other person to whose knowledge this report may come to.

Auditor:

[Signature]

BAKER TILLY KLITOU AND PARTNERS S.R.L.

Bucharest, 1 November 2016
LISTA OF ABBREVIATIONS

MLFSPE - Ministry of Labor, Family, Social Protection and Elderly

PMU - Project Management Unit, established within MLFSPE for improved policy-making and institutional framework for persons with disability project

IBRD - International Bank for Reconstruction and Development

Loan - the Loan Agreement (TF010417) related to project for improved policy-making and institutional framework for persons with disability project

MoPF - Ministry of Public Finance

BRD - Romanian Development Bank to which PMU has opened special account
MINISTRY OF LABOR, FAMILY, SOCIAL PROTECTION AND ELDERLY
JAPANESE GRANT PHRD (TF010417) RELATED TO PROJECT FOR IMPROVED
POLICY-MAKING AND INSTITUTIONAL FRAMEWORK FOR PERSONS WITH
DISABILITY PROJECT
31 DECEMBER 2015 – all the amounts are expressed in USD, unless otherwise stated

GENERAL INFORMATION

Reporting entity

The Loan Agreement is implemented by MLFSPE by means of the PMU within the entity.

Loan Agreement

Order Nr.852 of 19.06.2012 approved the publication of the letter signed in Washington on 28 February 2012 and in Bucharest on April 25, 2012 between Romania and the International Bank for Reconstruction and Development on granting financial assistance worth US $ 1,715,000 from the Japanese non refundable Fund PHRD for technical assistance (TF010417) to support disabilities and development: project for improved policy and institutional framework in assisting people with disabilities.

By convention no. 1115 / 13.07.2012 signed between MOPF as a beneficiary of the grant and MLFPSE as implementing agency and the final beneficiary of the grant, MOPF delegates to MLFSPE responsibility for carrying out activities financed by the grant and the management and use with maximum diligence and efficiency of grant amounts.

The use of non-refundable financial assistance amounts will be made by using a distinct operational account in US dollars, called the Special Account.

Charges and bank fees related to opening and conducting operations through the Special Account shall be paid from the interest rates paid in account of interest and charges opened at the same commercial bank at which the Special Account was opened. If these interest rates do not cover the charged amount, charges and bank fees will be covered from amounts provided for this purpose in the state budget through the budget MLFSPE.

Last date for withdrawal of amounts of grant under the Convention will be April 25th, 2015, or such later date to be determined by mutual agreement between MOPF and IBRD and will be immediately official communicated to MLFSPE.

On April 21, 2015, the World Bank agreed to extend the closing date of the project until 25 October 2016.

The program objective is to support Ministry of Labour, Family and Social Protection and Elderly (MLFSPE) to achieve more effective protection of persons with disabilities through better assessment of disability itself and providing better information on disability in order to develop their dedicated policies.
The project implementation

The project consists of the following components:

Part 1 - Strengthening the capacity to develop and implement harmonized criteria for disability assessment and unified institutional structure. Support for MLFSPE in view of:

(i) assessment of the current system of disability pensions and disability allowances;
(ii) development of proposals for harmonized evaluation criteria (medical or functional) and description of business processes required to implement the related criteria and application guide;
(iii) preparing a proposal for unified institutional structure training of staff in country;
(iv) improving National Electronic Register of Persons with Disabilities

Part 2 - Implement in 3-4 regions (counties) the pilot model of delivery of services using harmonized evaluation criteria / unified institutional framework. Support for MLFSPE in view of:

(i) implementation in 3-4 regions, pilot projects focused on new criteria for disability and assessment tools and plan for revised;
(ii) organizing workshops and local training for the preparation and implementation of pilot projects

Part 3 – Monitoring and evaluation. Support for MLFSPE in view of:

(i) the conduct of the monitoring and evaluation of pilot projects;
(ii) implementation of the new way of providing services focused on institutional structure unified and harmonized criteria for medical evaluation.

Part 4 - Public information campaigns. Support for MLFSPE in view of informing the public about the new set of criteria / institutions dedicated to people with disabilities through various media.

Part 5 - Management and Administration Project. Support for MLFSPE in view of execution of general project management.
Loan allocation

Categories of eligible expenditure that can be financed from GEF funds, amounts allocated from non-reimbursable financial assistance to each category of expenditure and the percentage of expenditure financed as eligible expenditure in each category are as follows:

<table>
<thead>
<tr>
<th>Category description</th>
<th>The amount of the loan allocated (USD)</th>
<th>Percentage of expenditure to be financed</th>
</tr>
</thead>
<tbody>
<tr>
<td>1) Goods</td>
<td>150,000</td>
<td>100%</td>
</tr>
<tr>
<td>2) Consultancy services (including, among others, consulting for project management), training in the country, workshops and audit</td>
<td>1,545,000</td>
<td>100%</td>
</tr>
<tr>
<td>3) Operating costs</td>
<td>20,000</td>
<td>100%</td>
</tr>
</tbody>
</table>
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31 DECEMBER 2015 – all the amounts are expressed in USD, unless otherwise stated

GOVERNMENT OF ROMANIA – MINISTRY OF LABOR, FAMILY, SOCIAL
PROTECTION AND ELDERLY

JAPANESE GRANT PHRD (TF010417) RELATED TO PROJECT FOR IMPROVED
POLICY-MAKING AND INSTITUTIONAL FRAMEWORK
FOR PERSONS WITH DISABILITY

Project Financial Statements
for the period 01 January 2015 to 31 December 2015
MINISTRY OF LABOR, FAMILY, SOCIAL PROTECTION AND ELDERLY
JAPANESE GRANT PHRD (TF010417) RELATED TO PROJECT FOR IMPROVED POLICY-MAKING AND INSTITUTIONAL FRAMEWORK FOR PERSONS WITH DISABILITY
31 DECEMBER 2015 – all the amounts are expressed in USD, unless otherwise stated

1. STATEMENT OF RESOURCES AND UTILISATION OF FUNDS

1.1 Statement of the Japanese Grant of the Ministry of Labor, Family, Social Protection and Elderly as at 31 December 2015 – not disbursed amounts

<table>
<thead>
<tr>
<th>Date of approval 25 April 2012</th>
<th>31-Dec-15</th>
</tr>
</thead>
<tbody>
<tr>
<td>Approved loan</td>
<td>1,715,000</td>
</tr>
<tr>
<td>Disbursements used by the MLFPSE</td>
<td>(178,526)</td>
</tr>
<tr>
<td>Loan amount not disbursed</td>
<td>1,536,474</td>
</tr>
</tbody>
</table>

**Japanese Grant**

| Opening disbursed amounts    | 0         |
| Disbursed in the period      | 350,000   |
| Closing disbursed amounts    | 350,000   |

| Loan approved                | 1,715,000 |
| Un-drawn amounts             | 1,365,000 |

**Japanese Grant – Total**

| Drawn amounts by MLFSPE during the period | 350,000   |
| Not disbursed amounts in balance as at period end | 1,365,000 |
MINISTRY OF LABOR, FAMILY, SOCIAL PROTECTION AND ELDERLY
JAPANESE GRANT PHRD (TF010417) RELATED TO PROJECT FOR IMPROVED
POLICY-MAKING AND INSTITUTIONAL FRAMEWORK FOR PERSONS WITH
DISABILITY
31 DECEMBER 2015 – all the amounts are expressed in USD, unless otherwise stated

1.2 Statement of the Japanese Grant of the Ministry of Labor, Family, Social and
Elderly as at 31 December 2014 – disbursed amounts

<table>
<thead>
<tr>
<th>Sources of funds</th>
<th>Sources transferred during</th>
<th>Accumulated sources until</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>01-Jan-15</td>
<td>31-Dec-15</td>
</tr>
<tr>
<td>Japanese Grant Contribution</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Category 1</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Category 2</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Category 3</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Advance received</td>
<td>0</td>
<td>350.000</td>
</tr>
<tr>
<td>TOTAL</td>
<td>0</td>
<td>350.000</td>
</tr>
</tbody>
</table>

1.3. Summary of Funds Received and Uses of Funds as at 31 December 2015

<table>
<thead>
<tr>
<th></th>
<th>01-Jan-15</th>
<th>31-Dec-15</th>
<th>Cumulative at 31-Dec-2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Opening cash balance</td>
<td>188.536</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Found received from Japanese Grant – special account</td>
<td>0</td>
<td>350.000</td>
<td></td>
</tr>
<tr>
<td>Less: project expenditure</td>
<td>17.062</td>
<td>178.526</td>
<td></td>
</tr>
<tr>
<td>Services – Category 2</td>
<td>1.690</td>
<td>163.153</td>
<td></td>
</tr>
<tr>
<td>Operating costs – Category 3</td>
<td>15.372</td>
<td>15.372</td>
<td></td>
</tr>
<tr>
<td>Closing cash balance</td>
<td>171.474</td>
<td>171.474</td>
<td></td>
</tr>
</tbody>
</table>
2. STATEMENT OF EXPENDITURES

2.1 Uses of funds

<table>
<thead>
<tr>
<th>Expenditures in 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Payments from special account</td>
</tr>
<tr>
<td>TOTAL</td>
</tr>
</tbody>
</table>

2.2 Classification of expenses by category

<table>
<thead>
<tr>
<th>Category</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Goods</td>
<td>-</td>
</tr>
<tr>
<td>2. Consultancy services (including, among others, consulting for project management), training in the country, workshops and audit</td>
<td>1.690</td>
</tr>
<tr>
<td>3. Operating costs</td>
<td>15.372</td>
</tr>
<tr>
<td>TOTAL</td>
<td>17.062</td>
</tr>
</tbody>
</table>

In the category of operating costs, the Ministry recorded and paid the amount of 15.372 USD regarding personnel expenditures for May and June 2015.

In the category of consultancy services, the amount of 1.690 USD was paid regarding the invoice for financial audit services.
3. FINANCIAL STATEMENT OF THE LOAN

3.1 Total disbursements as at 31 December 2015

<table>
<thead>
<tr>
<th>Description</th>
<th>Amounts</th>
</tr>
</thead>
<tbody>
<tr>
<td>Up to 1 January 2015</td>
<td>350,000</td>
</tr>
<tr>
<td>Disbursed in 2015</td>
<td>-</td>
</tr>
<tr>
<td>Total disbursement as at 31 December 2015</td>
<td>350,000</td>
</tr>
</tbody>
</table>

On 5 May 2014 IBRD transferred the amount of USD 350.00 to the special account opened by the Ministry of Labour, Family, Social Protection and Elderly as an advance under grant agreement.

4. PROJECT COMMITMENTS

4.1 Project Commitments as at 31 December 2015

<table>
<thead>
<tr>
<th>Description</th>
<th>Supplier</th>
<th>No. of contract</th>
<th>Total Value (USD)</th>
<th>Payments made under the contract (USD)</th>
<th>Remaining payments from the contract (USD)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Category 1</td>
<td></td>
<td></td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>1. Goods</td>
<td></td>
<td></td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Category 2</td>
<td></td>
<td></td>
<td>572.373</td>
<td>161.464</td>
<td>410.909</td>
</tr>
<tr>
<td>2. Consultancy services (including, among others, consulting for project management), training in the country, workshops and audit</td>
<td>European Profiles SA</td>
<td>CTR. 1/05.02.2014</td>
<td>572.373</td>
<td>161.464</td>
<td>410.909</td>
</tr>
<tr>
<td>Category 3</td>
<td></td>
<td></td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>3. Operating costs</td>
<td></td>
<td></td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Salaries</td>
<td>PMU Salaries for May</td>
<td>CIM</td>
<td>7.657,27</td>
<td>7.657,27</td>
<td>0</td>
</tr>
<tr>
<td>Salaries</td>
<td>PMU Salaries for June</td>
<td>CIM</td>
<td>7.715,52</td>
<td>7.715,52</td>
<td>0</td>
</tr>
<tr>
<td><strong>GRAND TOTAL</strong></td>
<td></td>
<td></td>
<td><strong>598.877,96</strong></td>
<td><strong>178.526,35</strong></td>
<td><strong>420.351,61</strong></td>
</tr>
</tbody>
</table>
MINISTRY OF LABOR, FAMILY, SOCIAL PROTECTION AND ELDERLY
JAPANESE GRANT PHRD (TF010417) RELATED TO PROJECT FOR IMPROVED
POLICY- MAKING AND INSTITUTIONAL FRAMEWORK FOR PERSONS WITH
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In 2014 the consultant has submitted the following invoices which have not yet been accepted by the PMU:
1. Invoice 113B/10.07.2014 for USD 4,636 representing penalties for the delay for the advance payment.
2. Invoice 874/28.11.2014 for USD 105,155 remuneration and USD 12,669 reimbursable costs.

These invoices are related to deliverable no. 4 submitted but not yet accepted by the PMU due to some technical departures between what it was requested in the terms of reference and what it was delivered.

4.2 Commitments subsequent to 31 December 2015

During 2016, PMU signed following contracts:

- Consulting services with „Fundatia DALA” (family medicine expert, Angela Grecu), amounting EUR 8,250 for a period of 15 days from signing the contract (10/07/2016);

- Consulting services with „Asociatia Pro ACT” (social services expert, Liliana Nicoleta Predescu), amounting EUR 8,250 for a period of 15 days from signing the contract (10.07.2016);

- Consulting services with „Fundatia DALA” (disability expert, Monica Stanciu), amounting EUR 8,250, for a period of 15 days from signing the contract (10.07.2016);

- Consulting services with „Fundatia DALA” (expert socio-professional integration, Luminita Danes), amounting EUR 8,250, for a period of 15 days from signing the contract (10.07.2016);

- Consulting services with PFA Furtunescu Florentina (public health / rehabilitation expert Furtunescu Florentina), amounting EUR 8,250 for a period of 15 days from signing the contract (10.07.2016);

- Consulting services with S.S.E.O.TEHNICAL ASSISTANCE SRL (coordination expert, Chiriacescu Diana) amounting EUR 9,000, for a period of 15 days from signing the contract (10.07.2016);

- Event management services with the Company ART ZONE EVENTS SRL, amounting 86,808 lei for organizing a number of 4 events during the month of October 2016.
5. ACCOUNTING POLICIES AND RECORDS

Basis of preparation

The special purpose Project Financial Statements are prepared under the historical cost convention, in accordance with and comply with relevant World Bank guidelines. The amounts presented in these financial statements are expressed in USD. These amounts have been derived by applying the RON/USD exchange rate as at the time of payment, for the internal payments using NBR exchange rate and for the external payments using auctions exchange rate given by the bank.

Obligations

Recording the loan

The loan will be recorded as a use of funds as the withdrawals take place. The entire amount of the loan will not appear as a debt element in the accounting of the Project Management Units before the project is finished.

Acquisition of goods and services

The acquisition of goods and services is recorded as expenditures at the time of the payment, and is allocated between the different sub-projects and activities to which they refer. The invoices for goods and services not paid at the time of the financial reporting will be shown as off-balance sheet items and will be reported as uses of funds at the date of payment.

Funding

Contribution of the International Bank for Reconstruction and Development

The loan is not recorded at the full value at the time of the contract signing by the Project Management Unit. Therefore, only the withdrawals from the Loan Account will be accounted for, as the funds are being withdrawn. Therefore, the reports generated will include only the amount paid for the Project until the reporting date.

Foreign currency translation

Foreign currency transactions of the Company are accounted for at the NBR exchange rates for the internal payments and at the auctions exchange rate for the external payments.
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31 DECEMBER 2015 – all the amounts are expressed in USD, unless otherwise stated

6. BANK ACCOUNTS UTILIZED WITHIN THE PROJECT, STATEMENT OF
DESIGNATED ACCOUNT

BRD- Special Account
Under the loan agreement, using the amounts GEF will be using a distinct operational account in US
dollars, called the Special Account. For this purpose PMU has opened an account in USD at BRD.

<table>
<thead>
<tr>
<th>Account No.</th>
<th>RO 23 BRDE 450S V284 7104 4500</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bank</td>
<td>BRD</td>
</tr>
<tr>
<td>Branch</td>
<td>Mari Clienti Corporativi</td>
</tr>
<tr>
<td>Address</td>
<td>Bulevardul Ion Mihalache nr.1-7, Sector 4, 011171</td>
</tr>
<tr>
<td>Account Currency</td>
<td>USD</td>
</tr>
</tbody>
</table>

Account BRD at 31 December 2015

<table>
<thead>
<tr>
<th>Amounts in USD</th>
<th>BIRD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Opening balance as at 1 January 2015</td>
<td>188.536</td>
</tr>
<tr>
<td>Cash receipts from IBRD for funds approved by funds providers</td>
<td>0</td>
</tr>
<tr>
<td>Total cash receipts</td>
<td>188.536</td>
</tr>
<tr>
<td>Payments during the period</td>
<td>(17.062)</td>
</tr>
<tr>
<td>Closing balance as at 31 December 2015</td>
<td>171.474</td>
</tr>
</tbody>
</table>
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JAPANESE GRANT PHRD (TF010417) RELATED TO PROJECT FOR IMPROVED
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NOTES TO THE PROJECT FINANCIAL STATEMENTS

Note 1. Legislation and Fiscal Environment in Romania

The legislation and fiscal environment in Romania and their implementation into practice change frequently and are subject to different interpretations by various Ministries of the Government. Over recent years, Romania has undergone substantial legal and economic changes.

Due to the current situation determined by the internal and international financial crisis, there is an uncertainty with regard to the future legislative policy of the Romanian Government and its impact on the evolution of the projects on the social protection system.

Therefore, it is not possible to estimate what changes may occur or the resulting effect of any such changes on the Project development or future results of its development.

Note 2. Project financial statements presentation

The special-purpose Project Financial Statements are prepared on the cash basis of accounting. On this basis sources of funds are recognized when received rather than when earned, and uses are recognized when paid rather than when incurred. The special-purpose Project Financial Statements were prepared for complying with the Loan requirements and with the appropriate World Bank guidelines, and are not intended to be a complete presentation of the Project’s operations.

Note 3. Fiscal treatment of VAT declaration

In 2014 PMU registered with Romanian fiscal authorities for VAT purposes and paid VAT amount of USD 30,581 to the state budget.
Note 4. Subsequent events

During 2016 and up to the date of the present project financial statements the following events occurred:

a. Contingent liabilities

Beneficiary, PMU and the Consultant had several meetings in order to agree upon the final form of deliverable 4 - 7, which were submitted in 2014 and subsequently modified and resubmitted in 2015 and 2016. Up to the date of the present project financial statements the above mentioned deliverables have not been accepted and no payment was made to the consultant in addition to those presented in the project financial statements.

On 9.09.2015 the Ministry has received a letter from the consultant through its legal representative, claiming the acceptance of the deliverables already submitted and the payment of invoices already issued corresponding to the above mentioned deliverables. The consultant is also asking for a meeting to settle the existing disagreements on the deliverables and reserves its right to consider further legal actions with the Ministry.

Subsequently, on 29.07.2016, the Ministry received an invitation to conciliation / prior complaint regarding full execution of the contractual obligations and Ministry refusal of contract modification through an amendment (Amendment no.4).

b. Durata acordului de grant

As of 24 October 2016, World Bank through IBRD approved the extension of Grant Contract PHRD TF010417 for a 12 (twelve) months period, until 25 October 2017 respectively.

Date: 1 November 2016
Constantin Olteanu
Director PMU M.LRPP

Lucian Golea
Financial Coordinator

Ministry of Labor, Family, Social Protection and Elderly stamp