

**SCIENTIFIC METHODOLOGICAL INSTITUTION "NATIONAL INSTITUTE OF EDUCATION" OF
THE MINISTRY OF THE REPUBLIC OF BELARUS**

FINANCIAL STATEMENTS ON THE BELARUS EDUCATION MODERNIZATION PROJECT
WITH AUDITOR'S OPINION FOR THE PERIOD
FROM 1 JANUARY 2019 TO 31 DECEMBER 2019

THE PROJECT IS FINANCED UNDER THE LOAN 8529-BY DATED 23 SEPTEMBER 2015 GRANTED BY THE
INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

FINANCIAL STATEMENTS ON THE PROJECT WITH AUDITOR'S OPINION
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SCIENTIFIC METHODOLOGICAL INSTITUTION "NATIONAL INSTITUTE OF EDUCATION"
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ALL AMOUNTS ARE IN US DOLLARS

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Statement of Management's responsibility for preparation and approval of the financial statements on the Project

The Management of the Scientific Methodological Institution "National Institute of Education" of the Ministry of Education (hereinafter - National Institute of Education) is responsible for preparation of financial statements on the Project "Belarus Education Modernization Project" (hereinafter - the Project) financed by the International Bank for Reconstruction and Development (hereinafter - IBRD) under the loan agreement No. 8529-BY dated 23 September 2015 for the period from 1 January 2019 to 31 December 2019 which fairly reflect in all material respects the information on the sources and use of the Project funds, the financial position of the Project accounts for the specified period.

In the preparation of the financial statements on the Project, the Management is responsible for:

- adequate choice and application of the accounting policy principles;
- presentation of information in accordance with IBRD rules and the selected accounting policies.

Management is also responsible for:

- development, implementation and maintenance of an effective and reliable internal control system on the Project;
- maintenance of accounting in accordance with IBRD rules and the selected accounting policies.
- taking all possible reasonable steps to safeguard assets under the Project;
- preventing and detecting fraud and other irregularities.

These financial statement on the Project for the period from 1 January 2019 to 31 December 2019 were approved by the Management on 20 May 2020.



Deputy Director -
Head of Investment Projects Managements
D.G. Shalaho

20 May 2020
Minsk, Belarus



Head of Finance and Disbursement
Department
O.A. Dubrovina

INDEPENDENT AUDITOR'S REPORT ON A SPECIAL PURPOSE AUDIT ENGAGEMENT

To the Management of the Belarus Education Modernization Project and to the Management of Scientific Methodological Institution "National Institution of Education" of the Ministry of Education of the Republic of Belarus

Ref. No.: 04-05/64

Date: 20.05.2020

Information about the auditee:

Name: SCIENTIFIC METHODOLOGICAL INSTITUTION "NATIONAL INSTITUTE OF EDUCATION" OF THE MINISTRY OF THE REPUBLIC OF BELARUS (hereinafter - NIE)

Location: Republic of Belarus, 22004, Minsk, 16 Korolya str.

Payer's identification number: 190374888

Auditor's Opinion

We have audited the financial statements on the Project "Belarus Education Modernization Project" financed by the International Bank for Reconstruction and Development (hereinafter - IBRD) in accordance with the loan agreement No. 8529-BY dated 23 September 2015 for the period from 1 January 2019 to 31 December 2019 which comprise:

- ▶ Project Sources and Uses of Funds Statement;
- ▶ Uses of Funds Statement;
- ▶ Designated Account Statement;
- ▶ Transit Account Statement;
- ▶ SOE Withdrawal Schedule;
- ▶ Notes to the financial statements on the Project.

In our opinion, the financial statements on the Project fairly in all material respects present the objective information on the sources and use of the Project funds for the period from 1 January 2019 to 31 December 2019 in accordance with the IBRD rules and the applicable accounting policy.

In our opinion, the Designated account statement and the Current account in Belarusian rubles statement correctly and fairly present the financial position of the Project accounts for the period from 1 January 2019 to 31 December 2019 in accordance with the IBRD rules and applicable accounting policies.

In addition, adequate supporting documentation was maintained for statements of expenditures for the period from 1 January 2019 to 31 December 2019 to support claims submitted to IBRD for reimbursement of expenditures incurred and the expenditures claimed are subject to financing in accordance with IBRD rules and the loan agreement.

Basis for the auditor's opinion

We conducted our audit in accordance with International Standards on Auditing (hereinafter - ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit on a Special Purpose Audit Engagement section of our report. We are independent of NIE in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), 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 Accounting principles

The financial statements on the Project are prepared in accordance with IBRD rules. The accounting policy is to prepare financial statements on the Project on the basis of the cash method. In accordance with this method, income and expenses are recognized as cash is received or spent rather than on an accrual basis.

Responsibilities of the Auditee for the Preparation of the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements on the Project in accordance with IBRD rules, and for such internal control as Management determines necessary to enable the preparation of financial statements on the Project that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements on the Project, Management is responsible for assessing the ability of NIE to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management either intends to liquidate NIE or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit on a Special Purpose Audit Engagement

Our objectives are to obtain reasonable assurance about whether the financial statements on the Project 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 financial statements.

Auditor's Responsibilities for the Audit on a Special Purpose Audit Engagement (continuation)

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

- ▶ Identify and assess the risks of material misstatement of the financial statements on the Project, 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 internal control of NIE during the implementation of the Project.
- ▶ 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 ability of NIE 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 financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company 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. We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear influence on auditors' independence, and, where applicable, all related safeguards.

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Project Sources and Uses of Funds Statement

	From 1 January 2019 to 31 December 2019	From the beginning of the project	Total
<i>Opening Cash Balances</i>			
Designated account - Project funds	78 772,16		
Transit account - Project funds	0,00		
Total opening cash balance	78 772,16	0,00	0,00
<i>Sources of funds</i>			
IBRD 8529-BY	13 830 000,00	27 227 500,00	49 875 000,00
Other (+ Front-end Fee)	0,00	125 000,00	125 000,00
Total Financing	13 830 000,00	27 352 500,00	50 000 000,00
<i>Expenditures by Components</i>			
Component 1: Ensuring a quality learning environment in schools receiving students from closed/reorganized schools	13 316 447,82	26 069 400,63	46 225 000,00
Component 2: Modernization of system management in general secondary education	243 284,84	648 767,43	2 900 000,00
Component 3: Project implementation support (+ Front-end Fee)	79 066,46	364 358,90	875 000,00
Total expenditures	13 638 799,12	27 082 526,96	50 000 000,00
Interest earned	0,00	0,00	0,00
<i>Closing Cash Balances per Bank Statements</i>			
Designated account - Project funds	269 973,04	269 973,04	
Transit account - Project funds	0,00	0,00	
Funds in transit			
Total closing Cash Balances	269 973,04	269 973,04	0,00
Calculated account closing balance	269 973,04	269 973,04	0,00



Deputy Director -
 Head of Investment Projects Managements
 D.G. Shaloho



Head of Finance and Disbursement
 Department
 O.A. Dubrovina

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Uses of Funds Statement

Project component / Activity	Total amount under the procurement plan	Current year	Expenses with cumulative at the reporting date	Amount payable at the reporting date (goods/services accepted but not paid)	Balance for upcoming payments
Component 1:					
Rehabilitation of selected General Secondary Education Schools	36 505 000	12 325 138,63	24 992 528,44	26 885,11	11 512 471,56
Provision of, inter alia, laboratory equipment (including physics, chemistry, biology and information technology classrooms) of selected General Secondary Education Schools rehabilitated under Part 1.1. of the Project	10 500 000	991 309,19	1 076 872,19	-	9 423 127,81
Total Component 1	47 005 000,00	13 316 447,82	26 069 400,63	-	20 935 599,37
Component 2:					
Strengthening of the Borrower's sample-based national assessment system of students in General Secondary Education Schools through, inter alia: (a) the provision of technical assistance and Training; and (b) the acquisition of the necessary hardware and software	100 000,00	25 735,69	34 343,66	-	65 656,34
Provision of support for the Borrower's participation in PISA 2018 through, inter alia: (a) the carrying out of PISA 2018 preparatory activities including: (i) the development, translation and editing of student assessment test materials; (ii) the provision of Training; (iii) the piloting of student assessments; (b) the financing of the annual registration fee; and (c) the carrying out of PISA 2018 activities, including: (i) the printing, distribution and supervision of students assessments, and dissemination of the results of said students assessments; and (d) the carrying out of capacity building activities	520 000,00	135 016,88	494 426,34	-	25 573,66
Strengthening of the Borrower's education management information system through, inter alia: (a) the development of an integrated system for the collection, processing and analysis of primary data from General Secondary Education Schools, including through the acquisition of the necessary software and hardware; (b) the provision of Training; and (c) the certification/attestation of the integrated system mentioned in Part 3 (a) herein	1 500 000,00	82 532,27	119 997,43	-	1 380 002,57
Total Component 2	2 120 000,00	243 284,84	648 767,43	-	1 471 232,57
Component 3:					
Front-end fee	125 000,00	-	125 000,00	-	-
The provision of support (including consultants' services and Training), for the implementation, monitoring and evaluation of the Project, including the carrying out of the Project audits	750 000,00	79 066,46	239 358,90	-	510 641,10
Total Component 3	875 000,00	79 066,46	364 358,90	-	510 641,10
Total project expenditure	50 000 000,00	13 638 799,12	27 082 526,96	-	22 917 473,04

Deputy Director -
Head of Investment Projects Managements
D.G. Shaluhu
20 May 2020
Minsk, Belarus

Head of Finance and Disbursement
Department
O.A. Dubrovina

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Designated Account Statement

Opening balance at 01.01.2019	78 772,16
Advance of Project funds during the period	13 830 000
Amount of eligible expenditures paid during the present period	957 364,85
Amount of funds transferred to the transit account	12 681 404,27
Refund to IBRD from DA during the period	0,00
Interest earned	0,00
Service charges	0,00
Difference arising in the reporting period	0,00
Calculated DA closing balance	269 973,04
DA closing balance as at carried forward to next period - per bank statements	269 973,04



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Transit Account Statement

Opening balance at 01.01.2019	0,00
Project funds	0,00
Advance from DA during the period	12 681 404,27
Amount of eligible expenditures paid during the present period	12 681 404,27
Refunds	0,00
Interest earned	0,00
Service charges	0,00
Difference arising in the reporting period	0,00
Calculated closing balance	0,00
DA closing balance as at carried forward to next period - per bank statements? including	0,00
Project funds	0,00
Interest earned	0,00



Deputy Director -
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20 May 2020
Minsk, Belarus



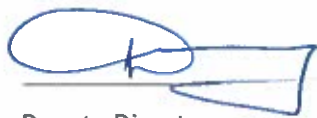
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SOE Withdrawal Schedule

No.	Application No.	Component 1:	Component 2:	Component 3:	Total
1	29 (SOE 13)	1 171 115,41	60 534,43	5 944,63	1 237 594,47
2	31 (SOE 14)	2 719 597,58	10 331,69	8 341,44	2 738 270,71
3	33 (SOE 15)	3 695 466,90	19 962,01	24 184,85	3 739 613,76
4	35 (SOE 16)	2 532 028,74	113 647,43	9 312,21	2 654 988,38
5	37 (SOE 17)	2 436 123,42	38 809,28	31 283,33	2 506 216,03
Total		12 554 332,05	243 284,84	79 066,46	12 876 683,35



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20 May 2020
Minsk, Belarus



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Notes to the financial statements on the Project

GENERAL INFORMATION

The Project consists of three interrelated components.

Component 1. Ensuring a quality learning environment in general secondary schools receiving students from closed and (or) reorganized general secondary schools (equivalent to 47.005 million US dollars).

Subcomponent 1.1. Strengthening the infrastructure of general secondary schools that receive (or plan to receive) students from closed or reorganized general secondary schools under the optimization program (equivalent to 36.505 million US dollars).

Within the framework of this subcomponent the following activities will be financed:

- preparatory work on the reconstruction and capital repair of the general secondary schools' buildings, including design works;
- reconstruction and capital repair of the general secondary schools' buildings, including construction and installation works;
- performing functions of the customer, supervision in construction.

Subcomponent 1.2. Increase of access to the laboratory equipment and information technology and its use in educational process (equivalent to 10.5 million US dollars).

Within the framework of this subcomponent the following activities will be financed:

- equipment for classrooms (physics, chemistry, biology, information technology).

Component 2. Modernization of system of general secondary education management (equivalent to 2.12 million US dollars).

The purpose of this component is to promote the use of best world practices in the field of assessing the quality of education and the results of data analysis for the management of the education system.

Subcomponent 2.1. Strengthening the national assessment system of students' educational achievements (equivalent to 0.1 million US dollars).

Within the framework of this subcomponent the following activities will be financed:

- consultations with international experts on the improvement of the national assessment system of students' educational achievements;
- professional training of Belarusian specialists in the field of assessment of students' educational achievements.

Subcomponent 2.2. Participation in international assessment systems of students' educational achievements (equivalent to 0.52 million US dollars).

Within the framework of this subcomponent the following activities will be financed:

- international costs associated with participation in PISA 2018;

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- preparatory activities including development, translation and editing of test materials, educational, training and preparatory seminars, as well as approbation of tools for assessing the educational achievements of students; activities related to conducting of testing, including replication of materials, their distribution and supervision of assessment, data processing and analysis, distribution of results;
- activities related to institutional development, strengthening the potential of the national organization - Educational Institution "Republican Institute for Knowledge Control" (hereinafter - RIKC) - responsible for conducting an international assessment of students' educational achievements.

Subcomponent 2.3. Strengthening the existing management information system in the education sector and the use of data analysis results for management decision-making (equivalent to 1.5 million US dollars).

Within the framework of this subcomponent the following activities will be financed:

- development of a system for collecting and processing primary data received from general secondary schools;
- development of a system for preparation of the aggregated data and reports based on primary data;
- strengthening analytical potential with the use of software for data management and staff training of Institution "Main Information and Analytical Centre of the Ministry of Education of the Republic of Belarus" (hereinafter - MIAC);
- creation and certification/attestation of the data protection system.

Component 3. Project implementation support (equivalent to 0.875 million US dollars).

The purpose of this component is to ensure adequate support to implementation of the activities under the proposed Project.

Within the framework of this component the following activities will be financed:

- services of the consultants engaged for enhancing management of the projects implementation (hereinafter - MPI) concerning the Project coordination, procurement, financial management, materials transfer, monitoring of the Project implementation and reporting, and other issues, where necessary;
- MPI staff training on issues concerning procurements, financial management, use of loan funds, Project management, etc.
- expenditures on the financial audit and other special costs required to implement activities within the framework of the components; front-end fee.

ACCOUNTING POLICY

Fundamental accounting principles. These special-purpose financial statements on the Project are prepared under the cash method of accounting which complies with the requirements of International Accounting Standards developed by the International Public Sector Accounting Standards Board of the International Federation of Accountants.

The Project financing is deemed to be a source of the Project funds at the moment of receipt of funds. The Project costs are deemed to be an application of the Project's funds at the moment of payment.

Foreign currency transactions. These special-purpose financial statements are prepared in US dollars. Transactions in other currencies are translated in US dollars at the actual exchange rate for selling US dollars for recording the expenditures.

Reporting base. The accounting records of Scientific Methodological Institution "National Institute of Education" of the Ministry of Education of the Republic of Belarus comprise the basis for preparation of the financial statements. Accounting of transactions on the Project is kept apart from accounting of funds from other sources of financing of the Scientific Methodological Institution "National Institute of Education" of the Ministry of Education of the Republic of Belarus.

PROJECT ACCOUNTS

Project accounts are opened in "Belinvestbank" JSC which complies with the requirements of International Bank for Reconstruction and Development.

a) Project account in foreign currency (specially designated account for loan):

Specially designated account of the Project BY36BLBB36200190374888001001 is opened in US dollars.

Balance of the specially designated account as at the end of the reporting period amounts to 269 973.04 US dollars.

b) Project account in BYN (transit account):

Project account in BYN BY09BLBB36200190374888001002 is opened for settlements with local consultants and suppliers of goods, works, services. It receives funds after US dollars conversion from specially designated account into BYN.

Balance of the transit account in BYN as at 31 December 2019 amounts to 0.00 US dollars.