

**Scientific methodological institution
"National Institute of Education"
of Ministry of Education of the Republic of Belarus**

**Special-purpose financial statements on the project
"Belarus Education Modernization Project" #148181
for the period from January 1, 2016 to December 31, 2016**

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**STATEMENT ON MANAGEMENT'S RESPONSIBILITY FOR PREPARATION AND APPROVAL
OF THE SPECIAL-PURPOSE FINANCIAL STATEMENTS ON THE PROJECT FOR THE PERIOD
FROM JANUARY 1, 2016 TO DECEMBER 31, 2016**

Management of Scientific methodological institution "National Institute of Education" of the Ministry of Education of the Republic of Belarus (hereinafter – National Institute of Education) is responsible for preparation of the special-purpose financial statements on the project "Belarus Education Modernization Project" (hereinafter – the Project) being implemented by the National Institute of Education. These Special-purpose Financial Statements give a fair presentation of financial position of the National Institute of Education in all material aspects as at December 31, 2016 and of all funds received and used upon the Project for the period from January 1, 2016 to December 31, 2016 in accordance with International Public Sector Accounting Standards (IPSAS).

While preparing the Special-purpose Financial Statements on the Project the Management of the National Institute of Education (hereinafter – the Management) is responsible for:

- adequate choice and application of accounting policy principles;
- presentation of information, including information about accounting policy in a form which ensures relevance, reliability, comparability and transparency of such information;
- compliance with the requirements of IPSAS and disclosure of all significant deviations from IPSAS in the Notes to the Special-purpose Financial Statements on the Project.

The Management is also responsible for:

- development, implementation and maintenance of effective and reliable internal control system of the Project;
- maintenance of accounting records in a form which can reveal and explain the transactions under the Project, provide information of sufficient accuracy on financial position of the Project at any date and ensure compliance with IPSAS;
- taking all possible reasonable steps to safeguard the assets under the Project; and
- preventing and detecting facts of financial and other irregularities.

The present Special-purpose Financial Statements on the Project for the period from January 1, 2016 to December 31, 2016 were approved by the Management on April 17, 2017.

On behalf of the Management of the National Institute of Education:



Vazhnik S.A.

Director
of the National Institute of Education

Lukasevich T.I.

Leading Accountant
of the National Institute of Education

Our ref. # 05-01/49 of April 17, 2017

Independent auditors' opinion

To: the Management of "Belarus Education Modernization Project" and National Institute of Education

Audited organisation:

Scientific methodological institution "National Institute of Education" of Ministry of Education of the Republic of Belarus;

Republic of Belarus, 220004, Minsk, 16-216 Korolya St.;

State registration: was registered by Minsk Municipal Executive Committee on July 24, 2002 in the Unified State Register of legal entities and individual entrepreneurs under # 190374888;

Taxpayer's identification number - 190374888.

Audit organisation:

FBK-Bel Limited Liability Company (FBK-Bel LLC);

Republic of Belarus, 220090, Minsk, office 201, 22A Logoisky highway;

State registration: was registered by Minsk Municipal Executive Committee on February 6, 2009 in the Unified State Register of legal entities and individual entrepreneurs under #690398039;

Taxpayer's identification number - 690398039.

We have audited the accompanying Special-purpose Financial Statements on the Project "Belarus Education Modernization Project" funded by International Bank for Reconstruction and Development ("IBRD") in accordance with a Grant Agreement #8529-BY of September 23, 2015 between the Republic of Belarus and IBRD ("the Agreement"). These Financial Statements are comprised of: Loan Sources and Uses of Funds Statement; Uses of Funds Statement; Designated Account Statement; Transit Account Statement; SOE Withdrawal Schedule as at December 31, 2016 and for the period from January 1, 2016 to December 31, 2016; and also Disclosure of fundamental principles of accounting policies and other notes (the Special-purpose Financial Statements on the Project).

The Special-purpose Financial Statements on the Project have been prepared in accordance with the International Public Sector Accounting Standard "Financial Reporting under the Cash Method of Accounting" developed by the International Public Sector Accounting Standards Board of the International Federation of Accountants.

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Management responsibility for preparation of the Special-purpose Financial Statements on the Project

Scientific methodological institution "National Institute of Education" of Ministry of Education of the Republic of Belarus is responsible for preparation and fair presentation of these Special-purpose Financial Statements in accordance with International Public Sector Accounting Standard "Financial Reporting under the Cash Method of Accounting" developed by the International Public Sector Accounting Standards Board of the International Federation of Accountants; and also for development of internal control system which the Management considers necessary for preparation of the Special-purpose Financial Statements of the Project that are free from material misstatements, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express our opinion on reliability of these Special-purpose Financial Statements on the Project based on the audit conducted. We performed our audit in accordance with International Standards on Auditing. Those standards require that we comply with professional ethical requirements, so that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and notes to the Special-purpose Financial Statements on the Project. The selection of appropriate audit procedures was carried out on the basis of auditor's professional judgment, including the assessment of risks of material misstatement of the Special-purpose Financial Statements on the Project whether due to fraud or error. In making those risk assessments, we considered a system of internal control over preparation and reliability of these Special-purpose Financial Statements on the Project in order to design audit procedures appropriate in the circumstances, but not for the purpose of expressing opinion on the effectiveness of that system. An audit also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates gained by the Management, as well as evaluating the overall presentation of the Special-purpose Financial Statements of the Project.

We believe that we have obtained sufficient and appropriate audit evidence to provide a reasonable basis for our auditor's opinion.

Opinion

In our opinion, the Special-purpose Financial Statements on the Project present fairly in all material respects the financial position of the Project as at December 31, 2016 as well as funds of the Project received and used for the period from January 1, 2016 to December 31, 2016 in accordance with International Public Sector Accounting Standard "Financial Reporting under the Cash Method of Accounting" developed by the International Public Sector Accounting Standards Board of the International Federation of Accountants.

Restriction on distribution and use

These Special-purpose Financial Statements on the Project are intended solely for the use of the National Institute of Education for presentation of information by the IBRD on the received and used funds under the Project. These Special-purpose Financial Statements on the Project are not intended for the use of third parties, and we do not bear any responsibility or liability to any other parties except the National Institute of Education in respect of this report. In the event of taking a decision by the third parties related to the contents of these Special-purpose Financial Statements on the Project, the third parties are liable for such decisions.

Director of FBK-Bel LLC

Auditor in-charge



Alexey Reneisky

Tatsiana Svirydovich

April 17, 2017

**LOAN SOURCES AND USES OF FUNDS STATEMENT
FOR THE PERIOD FROM JANUARY 1, 2016 TO DECEMBER 31, 2016**

	<i>(in US dollars)</i>	
	Period from January 1, 2016 to December 31, 2016	Cumulative
Opening Cash Balances		
Designated account	0.00	
Transit account	0.00	
Total:	0.00	
Sources of funds		
IBRD financing	4,016,500.00	4,016,500.00
Front-end Fee	125,000.00	125,000.00
Total Financing	4,141,500.00	4,141,500.00
Expenditures by components		
Component 1: Ensuring a quality learning environment in schools receiving students from closed and (or) reorganized schools	3,886,022.19	3,886,022.19
Component 2: Modernization of system management in general secondary education	83,429.82	83,429.82
Component 3: Project implementation support (+Front-end Fee)	141,829.72	141,829.72
Total Expenditures	4,111,281.73	4,111,281.73
Closing Cash Balances		
Designated account	30,218.27	
Transit account	0.00	
Total Closing Cash Balances	30,218.27	

On behalf of the Management

Vozhnik S.A.

Director
of the National Institute of Education

Lukasevich T.I.

Leading Accountant
of the National Institute of Education

**USES OF FUNDS STATEMENT
FOR THE PERIOD FROM JANUARY 1, 2016 TO DECEMBER 31, 2016**

Project component/ Subcomponent/ Activity	Period from January 1, 2016 to December 31, 2016	(in US Dollars) Cumulative
Component 1: Ensuring a quality learning environment in schools receiving students from closed and (or) reorganized schools		
1.1. Rehabilitation of selected General Secondary Schools	3,886,022.19	3,886,022.19
1.2 Provision of, inter alia, laboratory equipment (including physics, chemistry, biology, and information technology) to selected General Secondary Schools rehabilitated under Part 1.1 of the Project		
Total Component 1	3,886,022.19	3,886,022.19
Component 2: Modernization of system management in general secondary education		
2.1. Strengthening of the Borrower's sample-based national assessment system of students in General Secondary Education through, inter alia: (a) the provision of technical assistance and Training; and (b) the acquisition of the necessary hardware and software		
2.2. 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 student assessment; (ii) the processing and analysis of the student assessments, and dissemination of the results of said student assessments; and (d) the carrying out of capacity building activities	83,429.82	83,429.82
2.3. 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		
Total Component 2	83,429.82	83,429.82
Component 3: Project implementation support		
Front-end Fee	125,000.00	125,000.00

Project component/ Subcomponent/ Activity

**Period from
January 1, 2016 to
December 31, 2016**

Cumulative

The provision of support (including consultant's services and Training) for the implementation, monitoring and evaluation of the Project, including the carrying out of the Project audits

16,829.72

16,829.72

Total Component 3

141,829.72

141,829.72

Total Project Expenditure

4,111,281.73

4,111,281.73

On behalf of the Management:

Vaznitskiy S.A.

Director
of the National Institute of Education



[Handwritten signature of Vaznitskiy S.A.]

Lukasevich T.I.

Leading Accountant
of the National Institute of Education

[Handwritten signature of Lukasevich T.I.]

**DESIGNATED ACCOUNT STATEMENT
FOR THE PERIOD FROM JANUARY 1, 2016 TO DECEMBER 31, 2016**

(in US dollars)

Account No.
Bank

3620742323012
Belinvesbank JSC

Opening balance as at January 1, 2016

0.00

Advance of Loan funds during the period

4,016,500.00

Amount of eligible expenditures paid during the present
period

259,006.38

Amount of funds transferred to the transit account

3,727,275.35

DA closing balance as at December 31, 2016

30,218.17

On behalf of the Ministry of Education

Vazhnik S.A.

Director
of the National Institute of Education



Lukasevich T.I.

Leading Accountant
of the National Institute of Education

**TRANSIT ACCOUNT STATEMENT
FOR THE PERIOD FROM JANUARY 1, 2016 TO DECEMBER 31, 2016**

(in US dollars)

Account No.
Bank

3620742323025
Belinvesbank JSC

Opening balance at 01.01.2016

0.00

Advance from DA during the period

3,727,275.35

Amount of eligible expenditures paid during the present
period

3,727,275.35

DA closing balance as at 31.12.2016

0.00

On behalf of the Management:

Vazhrik S.A.

Director
of the National Institute of Education



Lukasevich T.I.

Leading Accountant
of the National Institute of Education

**SOE WITHDRAWAL SCHEDULE
FOR THE PERIOD FROM JANUARY 1, 2016 TO DECEMBER 31, 2016**

No.	Application No.	Component 1: Ensuring a quality learning environment in schools receiving students from closed and (or) reorganized schools	Component 2: Modernization of system management in general secondary education	Component 3: Project implementation support	Total
1	2		9,203.72	773.74	9,977.46
2	5	225,377.39	8,197.05	5,894.89	239,469.33
3	6	824,969.72	54,230.05	428.20	879,627.97
4	7	1,242,060.55		(26.04)	1,242,034.51
Total		2,292,407.66	71,630.82	7,070.79	2,371,109.27

On behalf of the Management:

Vazhnik S.A.

Director
of the National Institute of Education

Lukasevich T.I.

Leading Accountant
of the National Institute of Education

**NOTES TO SPECIAL-PURPOSE FINANCIAL STATEMENTS
FOR THE PERIOD FROM 1 JANUARY 2016 TO 31 DECEMBER 2016**

1. 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 (being equivalent to 46,225 mln. US dollars).

Subcomponent 1.1. Strengthen the infrastructure of General Secondary Schools, that receive (or plan to receive) students from closed and (or) reorganized General Secondary Schools under the optimization program (being equivalent to 35,725 mln. 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 work;
- performing functions of Customer, supervision in construction.

Subcomponent 1.2. Increase of access to the laboratory equipment and information technology and its use in educational process (being equivalent to 10,5 mln. US dollars).

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

- equipment of laboratories (physics, chemistry, biology, and information technology).

Component 2: Modernization of system management in general secondary education (being equivalent to 2,9 mln. 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 (being equivalent to 0,1 mln. 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 the students' educational achievements;
- professional training of Belarusian specialists in the field of assessment students' educational achievements.

Subcomponent 2.2. Participation in international assessment systems of students' educational achievements (being equivalent to 1,3 mln. US dollars).

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

- international costs associated with participation in the PISA 2018;
- preparatory activities including the development, translation and editing of text 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, its distribution and supervision of assessment, data processing and analysis, spreading of results;
- activities related to institutional development, strengthening the potential of the national organization - Educational Institution "Republican Institute for Knowledge Control" - 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 (being equivalent to 1,5 mln. 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 educational institutions;

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- development of the system of preparation of aggregated data and reports based on primary data;
- strengthening analytical potential with the use of software for data management and staff training of the Institution "The Main Informational and Analytical Center of the Ministry of Education of the Republic of Belarus";
- creation and certification / attestation of the data protection system.

Component 3: Project implementation support (being equivalent to 0,875 mln. US dollars).

The purpose of this component is to provide adequate support for the implementation of activities under the proposed Project

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

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

2. ACCOUNTING POLICY

Fundamental accounting principles – these 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's funds at the moment of receipt of funds. Project costs is deemed to be an application of Project's funds at the moment of payment.

Foreign currency transactions – these Financial Statements are prepared in US dollars. Transactions in other currency are transferred in US dollars at the actual currency rate.

Reporting base – these Financial Statements are based on the accounting records of Scientific methodological institution "National Institute of Education" of Ministry of Education of the Republic of Belarus.

Accounting of operations upon this Project is kept apart from accounting of funds from other sources of finance of the Scientific methodological institution "National Institute of Education" of Ministry of Education of the Republic of Belarus.

3. THE IBRD FUNDING

Project funds were provided by the World Bank upon applications signed by authorized representatives of the National Institute of Education: Director S.A. Vazhnik, Deputy Director S. S. Vashkevich, Head of Finance and Disbursement Department for Investment A.A. Dubrovina.

4. BANK ACCOUNTS OF THE PROJECT

Project Bank Accounts are opened in Belinvestbank JSC, which complies with IBRD requirements.

a. Project Account in foreign currency (special account for loans)

The Project Designated Account in US dollars No. 3620742323012 has been opened in US Dollars. The account balance of the Designated Account as at the end of reporting period amounts to USD 30,218.27.

b. Project Account in Belarusian rubles (transit account)

The Project account in Belarusian rubles No. 3620742323025 is open for settlements with national consultants and suppliers of goods, works, services. It receives funds after converting US dollars from a specially allocated account to Belarusian rubles.

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Account balance in Belarusian rubles as at December 30, 2016 amounts to 0 Belarusian rubles; financing balance and special account balance amounts to 30 218,27 US dollars, being equivalent to 59 182,48 Belarusian rubles.

5. FOUNDATION OF FINANCING

Funds of loan 8529-BY may be withdrawn to finance 100% of eligible expenses, including payment for consulting services, audit, training, operating expense, inclusive of taxes.

6. RECONCILIATION OF FINANCING RECEIVED FROM IBRD, WITH THE ACTUAL EXPENDITURES OF THE PROJECT

Expenses incurred from January 1, 2016 to December 31, 2016	3,986,281.73
Total expenses incurred from January 1, 2016 to 31 December 2016	3,986,281.73
Funds received from IBRD from January 1, 2016 to December 31, 2016:	
Replenishment of the Designated Account	4,016,500.00
Direct payments	0.00
Front-end Fee	125,000.00
Plus: Balance on the Designated Account as at January 1, 2016	0.00
Minus: Front-end Fee	125,000.00
Minus: Balance on the Designated Account as at December 31, 2016	30,218.27
Minus: Balance of Transit account in Belarusian rubles as at December 31, 2016	0.00
Total expenses incurred from January 1, 2016 to December 31, 2016	3,986,281.73