

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

**FINANCIAL STATEMENTS ON THE PROJECT WITH
AUDITOR’S OPINION FOR THE YEAR ENDED
31 DECEMBER 2017**

PROJECT TITLE: “BELARUS EDUCATION MODERNIZATION PROJECT”

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

FINANCIAL STATEMENTS OF THE PROJECT WITH AUDITOR'S OPINION
FOR THE YEAR ENDED 31 DECEMBER 2017
THE PROJECT IS FINANCED UNDER THE LOAN 8529-BY DATED 23 SEPTEMBER 2015,
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THE PROJECT IS MANAGED BY SCIENTIFIC METHODOLOGICAL INSTITUTION
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OF THE MINISTRY OF EDUCATION OF THE REPUBLIC OF BELARUS

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STATEMENT OF MANAGEMENT RESPONSIBILITY FOR PREPARATION AND APPROVAL OF THE FINANCIAL STATEMENTS ON THE PROJECT FOR THE PERIOD FROM 1 JANUARY 2017 TO 31 DECEMBER 2017

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) implemented through National Institute of Education which fairly reflects in all material aspects financial position of the Project as at 31 December 2017 as well as funds received and used upon the Project for the period from 1 January 2017 to 31 December 2017 in accordance with International Public Sector Accounting Standards (IPSAS).

While preparing the Financial statements on the Project the Management of the National Institute of Education (hereinafter – the Management) is responsible for:

- Adequate choice and application of the accounting policy principles;
- Presentation of information including information about accounting policies in the form which ensures relevance, reliability, comparability and clearness of such information;
- Compliance with the requirements of IPSAS and disclosure of all significant deviations from IPSAS in the Notes to the financial statements of the Project.

The Management is also responsible for:

- Development, implementation and maintenance of the effective and reliable internal control system of the Project;
- Maintenance of accounting in the form which allows to disclose and explain transactions of the Project, as well as to 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 assets under the Project; and
- Detecting and preventing facts of financial and other irregularities.

These financial statements for the period from 1 January 2017 to 31 December 2017 were approved by the Management on 27 April 2018.

Deputy Director of the Institute for
scientific and methodological work
Head of Finance and Disbursement
Department for Investment



V.V. Ginchuk

O.A. Dubrovina



Grant Thornton

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27.04.2018 № 57/18-3

Ref No _____ dated _____

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

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AUDITOR'S OPINION OF THE INDEPENDENT AUDITORS

We have audited the accompanying Financial statements on the Project “Belarus Education Modernization Project” financed by International Bank for Reconstruction and Development (hereinafter – IBRD) in accordance with the Grant Agreement No. 8529-BY dated 23 September 2015 concluded between the Republic of Belarus and IBRD (hereinafter – the Agreement). Financial statements include Loan Sources and Application of Funds Statement, Uses of Funds Statement, Designated Account Statement, Transit Account Statement, Withdrawal of Funds Statement with Statement of Expenditure as at 31 December 2017 and for the period from 1 January 2017 to 31 December 2017 as well as disclosure of main principles of accounting policies and other notes (financial statements of the Project).

Financial statements on the Project are prepared 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.

Statement of Management responsibility

Scientific methodological institution “National Institute of Education” of the Ministry of Education of the Republic of Belarus is responsible for preparation and fair presentation of these Financial statements on the Project prepared 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, as well as for internal control system which the National Institute of Education considers necessary for preparation of Financial statements on the Project free from material misstatements whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express our opinion on reliability of these Financial statements on the Project on the basis of the audit conducted. We carried out the audit in accordance with the International Standards of Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the Financial statements on the Project are free from material misstatement.

ООО «Грант Торнтон»

ООО «Грант Торнтон» входит в международную сеть Грант Торнтон Интернешнл Лтд (GTL) фирмы-члены которой не являются международным партнерством. Компания GTL и каждая ее фирма-член являются отдельными юридическими лицами. Услуги фирм-членов компании предоставляются независимо друг от друга. Компания GTL и ее фирмы-члены не являются агентами, не несут риски и ответственность за действия или бездействия друг друга.

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The audit involves performing procedures to obtain reasonable audit evidence about the amounts and disclosures in the financial statements of the Project. The procedures selected depend on the auditor's judgment including the assessment of the risk of material misstatement of the financial statements of the Project, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to preparation and fair presentation of the Financial statements on the Project 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. The audit also includes the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements of the Project.

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

Auditor's opinion on the Financial statements on the Project

In our opinion Financial statements on the Project fairly in all material aspects present the financial position of the Project as at 31 December 2017 as well as funds of the Project received and used for the period from 1 January 2017 to 31 December 2017 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

Financial statements on the Project are intended solely for the use of the national Institute of Education for presentation of information to IBRD of received and used funds under the Project. These Financial statements on the Project are not intended for the use of the third parties and we do not bear any responsibility or liability to any other parties except for the National Institute of Education regarding these statements. In case of taking decisions by third parties related to the contents of these Financial statements on the Project the third parties are liable for such decisions.

Natalya Gvardiyan
First Deputy Director of
Grant Thornton LLC
Minsk, 27 April 2018



FINANCIAL STATEMENTS OF THE PROJECT WITH AUDITOR'S OPINION
FOR THE YEAR ENDED 31 DECEMBER 2017
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1. FINANCIAL STATEMENTS ON THE PROJECT

**1.1. LOAN SOURCES AND APPLICATION OF FUNDS STATEMENT FOR THE PERIOD FROM
1 JANUARY 2017 TO 31 DECEMBER 2017**

	For the period from 1 January 2017 to 31 December 2017	(in USD) Cumulative
OPENING BALANCE		
Specially designated account	30,218.27	
Transit account	-	
TOTAL:	30,218.27	
SOURCES OF FUNDS		
International bank for reconstruction and development financing	5,691,000.00	9,707,500.00
Front-end fee	-	125,000.00
TOTAL RECEIVED FINANCING	5,691,000.00	9,832,500.00
EXPENDITURES BY COMPONENTS		
Component 1: Ensuring a quality learning environment in schools receiving students from closed and (or) reorganized schools	5,353,460.21	9,239,482.40
Component 2: Modernization of system of management of general secondary education	126,670.82	210,100.64
Component 3: Project implementation support	36,848.50	178,678.22
TOTAL EXPENDITURES	5,516,979.53	9,628,261.26
CLOSING BALANCE		
Specially designated account	204,238.73	
Transit account	0.01	
TOTAL	204,238.74	

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

Deputy Director of the Institute for
scientific and methodological work
Head of Finance and
Disbursement Department for
Investment



V.V. Ginchuk

O.A. Dubrovina

**FINANCIAL STATEMENTS OF THE PROJECT WITH AUDITOR'S OPINION
FOR THE YEAR ENDED 31 DECEMBER 2017
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**1.2. USES OF FUNDS STATEMENT FOR THE PERIOD FROM 1 JANUARY 2017 TO
31 DECEMBER 2017**

Project component/ Subcomponent/ Activity	For the period from 1 January 2017 to 31 December 2017	(in USD) Cumulative
Component 1: Ensuring a quality learning environment in schools receiving students from closed and (or) reorganized schools		
1.1 Modernization/capital repairs of General Education Schools	5,353,460.21	9,239,482.40
1.2 Provision of, inter alia, laboratory equipment (including physics, chemistry, biology and information technology classrooms) of selected General Education Schools where modernization/capital repairs will be carried out under Part 1.1. of the Project	-	-
Total component 1	5,353,460.21	9,239,482.40
Component 2: Modernization of system of management of general secondary education		
2.1 Strengthening of the national system for the assessment of educational achievement, based on the sample of students in General Secondary Education Schools, including by: (a) provision of technical assistance and Training; (b) acquisition of the necessary hardware and software	-	-
2.2 Provision of support for the Borrower's participation in PISA 2018 including by: (a) support of relevant preparation activities for participation in PISA 2018 including: (i) development, translation and editing of testing materials; (ii) carrying out of Training; (iii) testing of students educational achievements assessment; (b) financing of annual registration fee; (c) carrying out of PISA 2018 activities, including: (i) printing of materials, their distribution and supervision over students educational achievements assessment; (ii) processing and analysis of data related to students educational achievements assessment and distribution of the results of the said assessment; (d) supporting of capacity-building activities	126,670.82	210,100.64
2.3 Strengthening of the Borrower's education management information system by, inter alia: (a) the development of integrated system for the collection, processing and analysis of [primary] data coming from General Secondary Education Schools, including by the acquisition of the necessary hardware and software; (b) carrying out of Training; (c) certification/attestation of the integrated system mentioned in Part 3 (a) of this section	-	-
Total Component 2	126,670.82	210,100.64
Component 3: Project implementation support		

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Project component/ Subcomponent/ Activity	For the period from 1 January 2017 to 31 December 2017	(in USD) Cumulative
Front-end fee	-	125,000.00
Provision of support (including consultant's services and training), implementation, monitoring and assessment of the Project including carrying out of the Project audit	36,848.50	53,678.22
Total Component 3	36,848.50	178,678.22
On behalf of the management of the National Institute of Education:		
Deputy Director of the Institute for scientific and methodological work		V.V. Ginchuk
Head of Finance and Disbursement Department for Investment		O.A. Dubrovina

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1.3. DESIGNATED ACCOUNT STATEMENT FOR THE PERIOD FROM 1 JANUARY 2017 TO
31 DECEMBER 2017

	(in USD)
Account No	BY36LBB36200190374888001001
Bank	Belinvestbank, OJSC
Balance as at 1 January 2017	30,218.27
Amount of advance payments received on designated account	5,691,000.00
Amount of authorized expenditures paid in reporting period	394,523.11
Amount of funds transferred to the transit account	5,122,456.43
Balance as at 31 December 2017	204,238.73

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

Deputy Director of the Institute for
scientific and methodological work
Head of Finance and Disbursement
Department for Investment



V.V. Ginchuk

O.A. Dubrovina

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1.4. TRANSIT ACCOUNT STATEMENT FOR THE PERIOD FROM 1 JANUARY 2017 TO 31
DECEMBER 2017

	(in USD)
Account No	BY09BLBB36200190374888001002
Bank	Belinvestbank, OJSC
Balance as at 1 January 2017	-
Advance payment amount received from specially designated account	5,122,456.43
Amount of authorized expenditures paid in reporting period	5,122,456.42
Balance as at 31 December 2017	0.01

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

Deputy Director of the Institute for
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Head of Finance and Disbursement
Department for Investment



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1.5. WITHDRAWAL OF FUNDS STATEMENT USING STATEMENT OF EXPENDITURES FOR THE PERIOD FROM 1 JANUARY 2017 TO 31 DECEMBER 2017

(in USD)

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 of management of general secondary education	Component 3: Project implementation support	Total
1	8 (SOE 5)	761,986.21	3,037.00		765,023.21
2	11 (SOE 6)	761,160.17	75,556.02		836,716.19
3	15 (SOE 7)	1,591,604.63	17,193.49	6,372.07	1,615,170.19
4	18 (SOE 8)	1,093,957.13	22,030.95	10,179.04	1,126,167.12
5	19 (SOE 9)	450,033.11	2,223.86	10,193.10	462,450.07
Итого		4,658,744.25	120,041.32	26,744.21	4,805,526.78

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

Deputy Director of the Institute for scientific and methodological work
Head of Finance and Disbursement Department for Investment



V.V. Ginchuk

O.A. Dubrovina

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**1.6. NOTES TO THE FINANCIAL STATEMENTS ON THE PROJECT FOR THE PERIOD FROM
1 JANUARY 2017 TO 31 DECEMBER 2017**

GENERAL INFORMATION

The Project consists of three interrelated components to:

Component 1: Ensuring a quality learning environment in general secondary schools receiving students from closed and (or) reorganized general secondary schools (equivalent to 46,225 mln. 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 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 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 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 (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 (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 students' educational achievements;
- professional training of Belarusian specialists in the field of assessment of students' educational achievements.

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Subcomponent 2.2. Participation in international assessment systems of students' educational achievements (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 PISA 2018;
- 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, 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" (hereinafter referred to as "the 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 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 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 "The Main Information and Analytical Centre of the Ministry of Education of the Republic of Belarus" (hereinafter referred to as "the MIAC");
- creation and certification/ attestation of the data protection system.

Component 3: Project implementation support (equivalent to 0,875 mln. 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 referred to as MPR) concerning the Project coordination, procurement, financial management, materials transfer, monitoring of the Project implementation and reporting, and other issues, where necessary;
- MPR 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.

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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's 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 currency are transferred 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 "The 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 upon the Project is kept apart from accounting of funds from other sources of finance. Scientific methodological institution "The National Institute of Education" of the Ministry of Education of the Republic of Belarus.

INTERNATIONAL BANK FOR THE RECONSTRUCTION AND DEVELOPMENT FINANCING

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

PROJECT ACCOUNTS

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

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

Specially designated account of the Project BY36BLBB36200190374888001001 is opened in USD.

Balance of the specially designated account as at the end of the reporting period amounts to 204,238.73 USD.

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 USD conversion from specially designated account into BYN.

Balance of the transit account in BYN as at 31 December 2017 amounts to 0.01 USD.

FINANCING BASIS

Funds of the Loan 8529-BY may be withdrawn to finance 100% of expenses subject to financing including payment for consultants' services, audit, training and operational expenses inclusive of taxes.

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**RECONCILIATION OF FINANCING RECEIVED FROM INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT WITH ACTUAL PROJECT EXPENSES APPLICATION
FOR FUNDS WITHDRAWAL**

		(in USD)
Expenses incurred for the period from 1 January 2017 to 31 December 2017	5,516,979.53	
Total expenses incurred for the period from 1 January 2017 to 31 December 2017	5,516,979.53	
Funds of International bank for Reconstruction and Development received for the period from 1 January 2017 to 31 December 2017		
Replenishment of the specially designated account	5,691,000.00	
Plus: balance at specially designated account as at 1 January 2017	30,218.27	
Minus: balance at specially designated account as at 31 December 2017	204,238.73	
Minus: balance as at transit account in BYN as at 31 December 2017	0.01	
Total expenses incurred for the period from 1 January 2017 to 31 December 2017	5,516,979.53	