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

FINANCIAL STATEMENTS ON THE BELARUS EDUCATION MODERNIZATION PROJECT WITH AUDITOR'S
OPINION FOR THE PERIOD
FROM 1 JANUARY 2020 TO 31 DECEMBER 2020

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

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FOR THE PERIOD FROM 1 JANUARY 2020 TO 31 DECEMBER 2020
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ALL AMOUNTS ARE IN US DOLLARS

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Statement of Management's responsibility for the 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 the preparation of the 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 2020 to 31 December 2020 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:

- The choice of the accounting policy and its consistent application;
- 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 2020 to 31 December 2020 were approved by the Management on 12 May 2021.



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



Head of Finance and Disbursement
Department
O.A. Dubrovina

12 May 2021
Minsk, Belarus

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. number: 04-05/54

Date: 12.05.2021

Information about the auditee:

Name: Scientific Methodological Institution "National Institution of Education" of the Ministry of Education of the Republic of Belarus (hereinafter - NIE)

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

Payer's identification number: 190374888

Opinion

We have audited the financial statements on the Project "Belarus Education Modernization Project" (hereinafter - 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 2020 to 31 December 2020 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 2020 to 31 December 2020 in accordance with the IBRD rules and the applicable accounting policy.

In our opinion, the Designated account statement and the Transit account statement correctly and fairly present the financial position of the Project accounts for the period from 1 January 2020 to 31 December 2020 in accordance with the IBRD rules and applicable accounting policies.

Audit opinion (ending)

In addition, adequate supporting documentation was maintained for statements of expenditures for the period from 1 January 2020 to 31 December 2020 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 opinion

We conducted the audit in accordance with the requirements of the Law of the Republic of Belarus No. 56-Z dated 12 July 2013 No. "On Auditing Activities", the national rules of auditing activity and the 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 ethical requirements relevant to the audit of financial statements in the Republic of Belarus, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter. 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 the auditee 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 the auditee 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 consolidated financial statements.

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 in 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 NIE's ability 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 consolidated 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 auditee 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.

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

From the matters communicated with those charged with governance, we determine the matters that were most relevant to the audit of the financial statements on the Project for the current period and, therefore, are key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about these matters or, in very rare cases, when we determine that the information on a particular matter should not be disclosed since the adverse consequences of such disclosure would reasonably be expected to outweigh the public interest benefits of such communication.

Head of the engagement. Deputy Director for Advisory and other Professional Services

Head of the audit group. Audit Manager



Ivan Kovalenko
(qualification certificate of the auditor No. 002117 dated 27 June 2013, registration No. 1938)

Ekaterina Zhiznevskaya
(qualification certificate of the auditor No. 0002418 dated 13 December 2017, registration No. 2159)

Auditor's report date: 12 May 2021

Place of issue: Minsk, Republic of Belarus

Date of receipt by the auditee: 12 May 2021

Position, Full name Head of Finance and Disbursement Department Signature O.A. Dubrovina

INFORMATION ABOUT THE AUDITOR:

Name: BDO LLC
Location: 103 Pobediteley ave., floor 8, office 7, Minsk, 220020, Republic of Belarus
Information on the state registration: Certificate on the state registration was issued by Minsk City Executive Committee dated 15.11.2013
Payer's identification number: 190241132

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Project Sources and Uses of Funds Statement

	From 01.01.2020 to 31.12.2020	From the beginning of the project	Total
<i>Opening Cash Balances</i>			
Designated account - Project funds	269,973.04		
Transit account - Project funds	0.00		
Total opening cash balance	269,973.04	0.00	
<i>Sources of funds</i>			
IBRD 8529-BY	11,400,000.00	38,627,500.00	
Other (+Front-end Fee)		125,000.00	
Total Financing	11,400,000.00	38,752,500.00	
<i>Expenditures by Components</i>			
Component 1: Ensuring a quality learning environment in schools receiving students from closed/reorganized schools	10,729,328.11	36,798,728.74	46,225,000.00
Component 2: Modernization of system management in general secondary education	7,922.44	656,689.87	2,900,000.00
Component 3: Project implementation support (+Front-end Fee)	46,530.68	410,889.58	875,000.00
Total Expenditures	10,783,781.23	37,866,308.19	50,000,000.00

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	From 01.01.2020 to 31.12.2020	From the beginning of the project	Total
Interest earned	0.00		
<i>Closing Cash Balances per Bank Statements</i>			
Designated account - Project funds	886,191.80	886,191.80	
Transit account - Project funds	0.01	0.01	
Funds in transit			
Total closing Cash Balances	886,191.81	886,191.81	
Calculated account closing balance	886,191.81	886,191.81	



Deputy Director -

Head of Investment Projects Managements

D.G. Shaluh



Head of Finance and Disbursement

Department

O.A. Dubrovina

12 May 2021
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Uses of Funds Statement

Project component/ Subcomponent/Activity	Total Amount per procurement plan	Year to date	Cumulative to date	Amount payable at the reporting date	Total payments still to be made
Component 1:					
Rehabilitation of selected General Secondary Education Institutions	36,900,000	9,913,613.71	34,906,142.15	11,745.43	1,993,857.85
Provision of, inter alia, educational equipment (including physics, chemistry, biology, and information technology) to the above mentioned selected General Secondary Education Institutions under Part 1.1 of the Project	10,500,000	815,714.40	1,892,586.59	-	8,607,413.41
Total Component 1	47,400,000.00	10,729,328.11	36,798,728.74	-	10,601,271.26
Component 2:					
Strengthening of the Borrower's national assessment system of students in General Secondary Education, including through: (a) technical assistance and training; and (b) acquisition of necessary hardware and software	100,000.00	2,793.41	37,137.07	-	62,862.93
Provision of support for the Borrower's participation in PISA 2018 and 2021 including through: (a) supporting relevant preparatory activities for participation in PISA 2018 including: (i) development, translation and editing of test materials; (ii) training activities; (iii) evaluation testing; (b) financing of annual registration costs collection; and (c) implementation of PISA 2018 activities, including: (i) printing materials, their distribution and oversight of the assessment of student educational achievements; (ii) processing and analysis of student education assessment data and distribution of the results of the assessment; and (d) support for capacity-building activities	520,000.00	5,129.03	499,555.37	-	20,444.63
Strengthening of the Borrower's education management information system including through: (a) the development of an integrated system for the collection, processing and analysis of primary data from general secondary education institutions, including through the acquisition of necessary	1,500,000.00		119,997.43	-	1,380,002.57

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Project component/ Subcomponent/Activity	Total Amount per procurement plan	Year to date	Cumulative to date	Amount payable at the reporting date	Total payments still to be made
hardware and software; (b) training activities; and (c) certification of the integrated system referred to in Part 3 (a) of this section.					
Total Component 2	2,120,000.00	7,922.44	656,689.87	-	1,463,310.13
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	355,000.00	46,530.69	285,889.58	-	69,110.42
Total Component 3	480,000.00	46,530.69	410,889.58	-	69,110.42
Total Project Expenditure	50,000,000.00	10,783,781.24	37,866,308.19	-	12,133,691.81



Deputy Director -

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D. G. Shaluh



Head of Finance and Disbursement
Department
O. A. Dubrovina

12 May 2021
Minsk, Belarus

Designated Account Statement

Opening balance at 01.01.2020	269,973.04	
Advance of Project funds during the period	11,400,000.00	
Amount of eligible expenditures paid during the present period	163,416.46	
Amount of funds transferred to the transit account	10,620,364.78	
Refund to IBRD from DA during the period	0.00	
Interest earned	0.00	
Service charges	0.00	
Differences arising in the reporting period	0.00	
Calculated DA closing balance		886,191.80
DA closing balance as at carried forward to next period - per bank statements	886,191.80	
Difference between 9 and 10		0.00



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



Head of Finance and Disbursement
Department
O.A. Dubrovina

12 May 2021
Minsk, Belarus

Transit Account Statement

Opening balance at 01.01.2020, including	0.00
Project funds	0.00
Advance from DA during the period	10,620,364.78
Amount of eligible expenditures paid during the present period	10,620,364.77
Opening balance at 01.01.2020, including	0.00
Refunds	0.00
Interest earned	0.00
Service charges	0.00
Differences arising in the reporting period	0.00
Calculated closing balance	0.01
DA closing balance as at carried forward to next period - per bank statements, including	0.01
Project funds	0.01
Interest earned	0.00
Difference between 8 and 9	0.00



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D.G. Shaluhov



Head of Finance and Disbursement
Department
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12 May 2021
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SOE Withdrawal Schedule

No.	Application №	Component 1:	Component 2:	Component 3:	Total
1	37 (SOE 17)	995,633.49	5,004.84	6,479.46	1,007,117.79
2	39 (SOE 18)	3,227,638.87	2,703.33	19,649.36	3,249,991.56
3	41 (SOE 19)	3,355,518.53	0.00	4,809.77	3,360,328.30
4	43 (SOE 20)	3,020,044.47	214.25	15,592.12	3,035,850.84
Total		10,598,835.36	7,922.42	46,530.71	10,653,288.49



Deputy Director -
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D.G. Shalaho



Head of Finance and Disbursement
Department
O.A. Dubrovina

12 May 2021
Minsk, Belarus

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 schools receiving students from closed/reorganized schools (equivalent to 47.4 million US dollars).

Subcomponent 1.1. Rehabilitation of selected General Secondary Education Institutions (equivalent to 36.9 million US dollars).

Subcomponent 1.2. Provision of, inter alia, educational equipment (including physics, chemistry, biology, and information technology) to the above mentioned selected General Secondary Education Institutions (equivalent to 10.5 million US dollars).

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

Subcomponent 2.1. Strengthening of the Borrower's national assessment system of students in General Secondary Education (equivalent to 0.1 million US dollars).

Subcomponent 2.2. Provision of support for the Borrower's participation in PISA, including 2018 and 2021 including the related studies to assess students computer and financial literacy in 2021 (equivalent to 0.52 million US dollars).

Subcomponent 2.3. Strengthening of the Borrower's education management information system (equivalent to 1.5 million US dollars).

Component 3. Project implementation support (equivalent to 0.48 million US dollars).

Subcomponent 3.1. Front-end Fee (equivalent to 0.125 million US dollars).

Subcomponent 3.2. 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 (equivalent to 0.355 million US dollars).

The total amount of payments for the audit period does not exceed 10.7 million US dollars.

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.

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 886,191.80 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 at the end of the reporting period amounts to 0.01 US dollars.