

**INDEPENDENT AUDITOR'S REPORT
on the Foundation "Bureau of Economic Analysis"
Statements under
Second State Statistical System Development Project**

**To the Founders of
Foundation "Bureau of Economic Analysis"**

Dated June 05, 2015

Data on audited entity

Full name	Foundation "Bureau of Economic Analysis"
Abbreviated name	BEA Foundation
State registration	Certificate on state registration 77 № 007858322 of September 26, 2002 issued by Moscow Interdistrict Tax Inspection of Russia № 39; It is entered into the Uniform State Register of legal bodies under basic state registration number 1027739268644.
Location	bld.3, 27, Zubovskiy boulevard, Moscow, the Russian Federation, 119021
Mail address	bld.3, 27, Zubovskiy boulevard, Moscow, the Russian Federation, 119021

Data on auditor

Full name	Limited Liability Company «Nexia Pacioli»
Abbreviated name	«Nexia Pacioli» LLC
State registration	Certificate on state registration № 856.235 of June 23, 1995 issued by Moscow Registration Chamber; Certificate on state registration 77 №005390060 of October 22, 2002 issued by Moscow Interdistrict Tax Inspection of Russia №39; It is entered into the Uniform State Register of legal bodies under basic state registration number 1027739428716.
Location	2, Malaya Polyanka, Moscow, the Russian Federation, 119180
Mail address	2, Malaya Polyanka, Moscow, the Russian Federation, 119180
Membership in the self-regulating organization of auditors	Is a member of self-regulating organization of auditors the Non-commercial partnership «Institute of Professional Auditors»; It is entered into the Register of Auditors and the Audit Organizations of the specified self-regulating organization of auditors in October 30, 2009 under basic registration number 10202000073.

We have audited the accompanying BEA Foundation statements under Second State Statistical System Development Project (hereinafter – Project), which comprise:

- Project Sources and Uses of Funds as of December 31, 2014 in USD’000 (Annex 1);
- Project Sources and Uses of Funds as of December 31, 2014 in RUR’000 (Annex 2);
- Statement of Expenditure Detail as of December 31, 2014 in USD’000 (Annex 3);
- Statement of Expenditure Detail as of December 31, 2014 in RUR’000 (Annex 4);
- Designated Account Statement for the reported period from January 01, 2014 till December 31, 2014 in USD (Annex 5);
- Statement of Expenses (SOE) Withdrawal Schedule for the reported period from January 01, 2014 till December 31, 2014 in USD (Annex 6);
- Notes to the Project Financial Statements

As described in item 2.2. of the Notes to the Project Financial Statements, accounting policy is to prepare the accompanying special-purpose financial statements on the basis of cash method of receipts and disbursements.

The statements have been prepared by Management of Foundation “Bureau of Economic Analysis” based on the financial reporting provisions in Loan Agreement № 4867-RU of November 30, 2007 and requirements specified in the Guidelines on annual financial reports and audit regarding activity financed by the World Bank.

Management’s Responsibility for the Statements

Management is responsible for preparation and fair presentation of these special-purpose financial statements in accordance with the financial reporting provisions in Loan Agreement № 4867-RU of November 30, 2007 and requirements specified in the IBRD Guidelines, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor’s responsibility

Our responsibility is to express an opinion on special-purpose statements based on our audit. We conducted our audit in accordance with International standards on Auditing and Federal standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the statements are free from material misstatement.

Audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the statements, whether due to fraud or error. In making those risk assessments the auditor considers internal control relevant to the Foundation “Bureau of Economic Analysis” preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the BEA Foundation’s internal control.

Audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of statements.

«Nexia Pacioli» LLC

Audit report on the BEA Foundation statements under Second State Statistical System Development Project of Foundation "Bureau of Economic Analysis" for 2014

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

Opinion

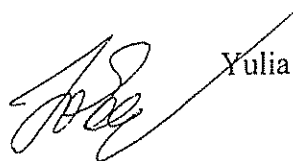
In our opinion, the BEA Foundation statements under Second State Statistical System Development Project for 2014 are prepared in all material respects fairly in accordance with the requirements contained in Loan Agreement № 4867-RU of November 30, 2007 and the Guidelines to the annual financial statements and audit in respect of the activities financed by the World Bank.

Basis of Accounting and Restrictions on Distribution and Use

The statements are prepared to reflect observance by the audited persons of the requirements specified in Loan Agreement № 4867-RU of November 30, 2007 and the Guidelines on annual financial reports and audit regarding activity financed by the World Bank. As a result, the statements may not be suitable for another purpose.

Our report is intended solely for the Foundation "Bureau of Economic Analysis" and the World Bank and should not be distributed to or used by parties other than the Foundation "Bureau of Economic Analysis" and the World Bank.

Deputy General Director of «Nexia Pacioli» LLC
(auditor qualification certificate
№ 02-000315, unlimited
Included into the Register of Auditors and Audit
Organizations of NP "IPAR" under basic registration
number 29402001055)

 Yulia V. Emelyanova

«05» June 2015

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Foundation "Bureau of economic analysis"
Second State Statistical System Development Project (STASYS-2 Project)
IBRD Loan № 4867-RU

Financial Statements for the reported period from January 01, 2014 till December 31, 2014

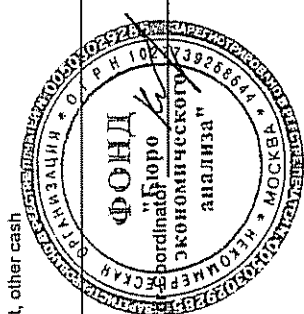
Table of Contents

№	Statement Name	Reporting Currency
1	Project Sources and Uses of Funds	USD'000
2	Project Sources and Uses of Funds	RUR'000
3	Statement of Expenditure Detail	USD'000
4	Statement of Expenditure Detail	RUR'000
5	Designated Account Statement	USD
6	Statement of Expenses (SOE) Withdrawal Schedule	USD
	Notes to the Project Financial Statements	

Project Sources and Uses of Funds
 as of December 31, 2014

USD'000

	Actual		Budget		Variation		Planned for Project life (as of December 31, 2014)
	Reported period	Cumulative-to-Date	Reported period	Cumulative-to-Date	Reported period	Cumulative-to-Date	
Opening Cash Balance							
RUR Project Account, other cash	1 793	-	-	-	-	-	-
Designated Account	1	-	-	-	-	-	-
Total	1 794	-	-	-	-	-	-
Add:							
Sources of Funds							
Government of Russia (GOR) co-financing funds	10 570	46 709	11 744	46 090	1 174	(619)	56 000
IBRD Funds	718	9 376	677	9 336	(41)	(42)	10 000
Total	11 288	56 087	12 421	55 426	1 133	(661)	66 000
Less:							
Uses of IBRD Loan Funds							
Category 1. Goods, consulting services for the Project	339	8 424	650	8 735	311	311	9 380
Category 2. Operating costs	24	598	27	601	3	3	620
Total	363	9 022	677	9 336	314	314	10 000
Uses of GOR co-financing Funds							
Category 1. Goods, consulting services for the Project	5 794	37 904	11 100	43 210	5 306	5 306	52 461
Category 2. Operating costs	672	2 908	644	2 880	(28)	(28)	3 539
Total	6 466	40 812	11 744	46 090	5 278	5 278	56 000
Uses of IBRD Loan and GOR co-financing Funds							
Category 1. Goods, consulting services for the Project	6 133	46 328	11 750	51 945	5 617	5 617	61 841
Category 2. Operating costs	696	3 506	671	3 481	(25)	(25)	4 159
Total	6 829	49 834	12 421	55 426	5 592	5 592	66 000
Closing Cash Balance							
RUR Project Account, other cash	5 897	5 897	-	-	-	-	-
Designated Account	356	356	-	-	-	-	-
Total	6 253	6 253	-	-	-	-	-



STASYS-2 Project Director: I. V. Kolosnitsyn

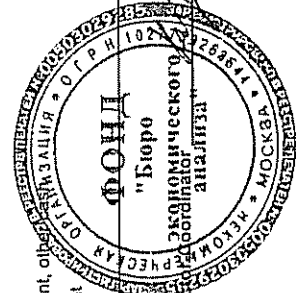
Financial Director: N. A. Vinogradova

May 29, 2015

Project Sources and Uses of Funds
 as of December 31, 2014

RUR'000

	Reported period	Cumulative-to-date
Opening Cash Balance		
RUR Project Account, other cash	58 680	-
Designated Account	34	-
Total	58 714	-
Add:		
Sources of Funds		
Government of Russia (GOR) co-financing funds	497 000	1 629 757
IBRD Funds	33 848	302 405
Total	530 848	1 932 162
Less:		
Uses of IBRD Loan Funds		
Category 1. Goods, consulting services for the Project	12 915	264 011
Category 2. Operating costs	909	18 334
Total	13 824	282 345
Uses of GOR co-financing Funds		
Category 1. Goods, consulting services for the Project	203 171	1 207 546
Category 2. Operating costs	20 745	90 449
Total	223 916	1 297 995
Uses of IBRD Loan and GOR co-financing Funds		
Category 1. Goods, consulting services for the Project	216 086	1 471 557
Category 2. Operating costs	21 654	108 783
Total	237 740	1 580 340
Closing Cash Balance		
RUR Project Account, other cash	331 762	331 762
Designated Account	20 060	20 060
Total	351 822	351 822



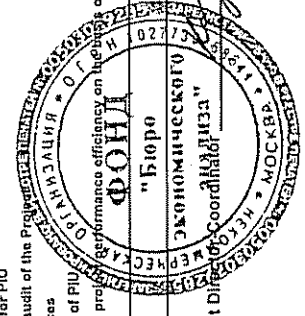
STASYS-2 Project Director: I. V. Kolosnitsyn Financial Director: N. A. Vinogradova

May 29, 2015

Statement of Expenditure Detail
as of December 31, 2014

USD'000

Project Components and Activities	Actual		Budget		Variation		Planned for Project life (according to the Proc. Plan as of December 31, 2014)
	Reported period	Cumulative-to-Date	Reported period	Cumulative-to-Date	Reported period	Cumulative-to-Date	
Component A. Modernization of economic statistics methodology							
A1. Enhancement of the National Accounts	273	1 725	1 055	2 507	782	782	3 766
A2. Enhancement of the methodology for the Input-Output tables construction	-	173	-	173	-	-	200
A3. Enhancement of the price statistics	-	436	-	436	-	-	409
A4. Enhancement of the trade statistics	-	175	-	175	-	-	177
A5. Enhancement of enterprise statistics	-	885	-	885	-	-	738
Subtotal for Component A	273	3 194	1 055	3 976	782	782	5 290
Component B. Development of modern design and technology for statistical data collection, processing, and dissemination							
B 1. Improved access to data through electronic and web-enabled technologies	-	3 221	-	3 221	-	-	2 743
B 2. Development of a modern system of the demographic data collection and processing	-	1 055	-	1 055	-	-	1 101
B 3. Development of a system for collection, analysis, and dissemination of the household and population sample surveys data	266	353	202	289	(64)	(64)	289
B 4. Improved integration of databases	2 487	8 513	3 463	9 489	976	976	10 770
B 5. Institutional strengthening of ROSSTAT's IT policy framework	246	246	203	203	(43)	(43)	187
B 6. Improved IT security planning and requirements	-	3 074	-	3 074	-	-	3 051
B 7. Development of Rosstat's corporate computer and information system and organizations, with the account of international practice	1 955	17 860	5 748	21 653	3 793	3 793	28 104
B 8. Development of an efficient system for data collection and interagency interaction to monitor performance of budget institutions	-	866	-	866	-	-	813
B 9. Development of remote data collection methods for the purposes of social and economic statistics	622	622	552	552	(30)	(30)	536
B 10. Preparation of proposals for strategic development of the Rosstat IT-systems	-	-	-	-	-	-	540
Subtotal for Component B	5 576	35 840	10 208	40 472	4 632	4 632	48 134
Component C. Enhancement of social statistics							
C 1. Enhancement of statistics on household income, poverty, and living standards, including improvement of sample household budget surveys and administrative statistics	42	1 311	158	1 427	116	116	1 518
C 2. Improving labor statistics, development of new objectives for the analysis of labor force and establishing the labor market policy	-	552	-	552	-	-	545
C 3. Improvement of Demographic statistics	-	182	-	182	-	-	198
Subtotal for Component C	42	2 045	158	2 161	116	116	2 261
Component D. Human resource development							
D 1. Analysis of the current retraining system and development a strategy	-	34	-	34	-	-	34
D 2. Preparing training programs and training materials	-	526	-	526	-	-	472
D 3. Training and exchange of the experience (knowledge sharing)	147	4 294	138	4 285	(9)	(9)	4 942
Subtotal for Component D	147	4 854	138	4 845	(9)	(9)	5 448
Component E. Project Management, Monitoring and Evaluation							
E 1. Office Equipment for PIU	26	61	40	75	14	14	100
E 2. Annual financial audit of the Project	17	65	19	67	2	2	125
E 3. Consulting services	52	190	132	270	80	80	324
E 4. Operational Cost of PIU	686	3 506	671	3 481	(25)	(25)	4 159
E 5. Monitoring of the project performance efficiency on the basis of target indicators	791	79	862	3 972	71	71	159
Subtotal for Component E	6 829	49 834	12 421	55 426	5 592	5 592	66 000
Total for the Project							



I. V. Kolositsyn
Financial Director

N. A. Vinogradova
Financial Director

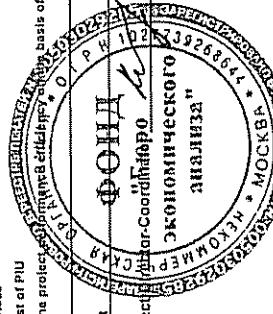
STASYS-2 Project Director

MAY 29, 2015

Statement of Expenditure Detail
 as of December 31, 2014

RUR'000

Project Components and Activities	Fact	
	Reported period	Cumulative-to-Date
Component A. Modernization of economic statistics methodology		
A 1. Enhancement of the National Accounts	9 003	55 433
A 2. Enhancement of the methodology for the Input-Output tables construction	-	6 136
A 3. Enhancement of the price statistics	-	12 335
A 4. Enhancement of the trade statistics	-	5 250
A 5. Enhancement of enterprise statistics	-	22 307
Subtotal for Component A	9 003	101 462
Component B. Development of modern design and technology for statistical data collection, processing, and dissemination		
B 1. Improved access to data through electronic and web-enabled technologies	-	101 155
B 2. Development of a modern system of the demographic data collection and processing	-	32 214
B 3. Development of a system for collection, analysis, and dissemination of the household and population sample surveys data	7 854	10 733
B 4. Improved integration of databases	90 517	279 556
B 5. Institutional strengthening of ROSSTAT's IT policy framework	8 480	6 480
B 6. Improved IT security planning and requirements	-	84 943
B 7. Development of Rosstat's corporate computer and information system	73 273	572 850
B 8. Development of an efficient system for data collection and interagency interaction to monitor performance of budget institutions and organizations, with the account of international practice	-	25 814
B 9. Development of remote data collection methods for the purposes of social and economic statistics	18 125	19 125
B 10. Preparation of proposals for strategic development of the Rosstat IT-systems	-	-
Subtotal for Component B	197 249	1 142 872
Component C. Enhancement of social statistics		
C 1. Enhancement of statistics on household income, poverty, and living standards, including improvement of sample household budget surveys and administrative statistics	1 552	41 082
C 2. Improving labor statistics, development of new objectives for the analysis of labor force and establishing the labor market policy	-	16 750
C 3. Improvement of Demographic statistics	-	5 958
Subtotal for Component C	1 552	63 830
Component D. Human resource development		
D 1. Analysis of the current retaining system and development a strategy	-	1 093
D 2. Preparing training programs and training materials	-	14 804
D 3. Training and exchange of the experience (knowledge sharing)	5 156	135 030
Subtotal for Component D	5 156	150 927
Component E. Project Management, Monitoring and Evaluation		
E 1. Office Equipment for PIU	1 046	2 129
E 2. Annual financial audit of the Project	395	1 866
E 3. Consulting services	1 705	5 836
E 4. Operational Cost of PIU	21 654	108 783
E 5. Monitoring of the project on the basis of target indicators	-	2 555
Subtotal for Component E	24 800	121 169
Total for the Project	237 740	1 580 340



Financial Director: N. A. Vinogradova
 I. V. Kolositsyn

May 29, 2015

Designated Account Statement

for the reported period from January 01, 2014 till December 31, 2014

Designated Account № 40703840938360016898 in USD
 Bank: Savings Bank of the Russian Federation

USD

Designated Account opening balance as of January 01, 2014

1 044,38

Total credits (add):

IBRD advance to DA during the period
 IBRD replenishments of DA during the period

-
 717 976,03
717 976,03

Total debits (less):

Refund to IBRD from DA during the period
 IBRD eligible expenditures paid from DA during the period
 IBRD funds converted into Russian rubles (drawn from DA to RUR Project account as of December 31, 2014)

-
 362 454,19
 0,10
362 454,29

Designated Account closing balance as of December 31, 2014

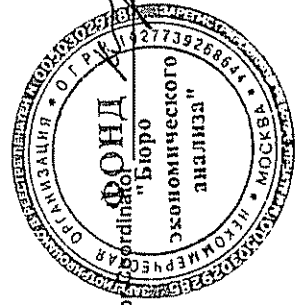
356 566,12

STASYS-2 Project Director

I. V. Kolosnitsyn

Financial Director

N. A. Vinogradova



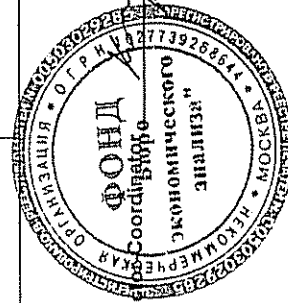
May 29, 2015

Statement of Expenses (SOE) Withdrawal Schedule

for the reported period from January 01, 2014 till December 31, 2014

USD

Application for withdrawal of IBRD Loan № 4867 proceeds №	IBRD Loan # 4867-RU Category		Total
	1 Goods, consulting services, training	2 Operating costs	
35	7 540,27	8 843,64	16 383,91
36	17 414,95	-	17 414,95
37	13 066,42	10 898,02	23 964,44
38	29 912,90	4 530,50	34 443,40
Total	67 934,54	24 272,16	92 206,70



STASYS-2 Project Director I. V. Kolosnitsyn

May 29, 2015

Financial Director N. A. Vinogradova

Notes to the Financial Statements

Note 1

Project Objectives and Legal Framework

The objective of the Second State Statistical System Development Project (Project or STASYS-2 Project) is to undertake the activities targeted at further modernization of the state statistical system in Russia and of Rosstat, the federal agency responsible for production of statistical data and coordination of all statistical activities in then country. The objective of the Project is to assist the government of Russian Federation to produce reliable, timely, and accurate economic, financial, socio-demographic and other data for policy formulation and decision-making in line with international good practice and frameworks. This will be done through strengthening the capacity of the National Statistical System. The project supports implementation of the national development strategy to promote economic growth, to achieve social goals and targets, and to ensure significant improvements in the efficiency of federal government agency performance. The improved availability of comprehensive sets of macroeconomic, social, poverty-related and labor market indicators, with regional breakdowns, will contribute to the monitoring of policy implementation.

The Project is subdivided into five components:

- Component A. Modernization of economic statistics methodology;
- Component B. Development of modern design and technology for statistical data collection, processing, and dissemination system;
- Component C. Enhancement of social statistics;
- Component D. Human resource development;
- Component E. Project management, monitoring and evaluation

The Project is financed jointly by the Russian Federation and the International Bank for Reconstruction and Development (IBRD). IBRD has extended the Loan № 4867-RU (Loan № 4867-RU or Loan) in the equivalent of USD 10,000,000 00 to finance the Project. According to the Project Appraisal Document (PAD), prepared by IBRD in 2008, the total Project Budget comprised the Loan and co-financing from the Federal budget of the Russian Federation funds (co-financing of RF or Government of Russian Federation (GOR) co-financing funds) in the amount of USD 50,000,000 00. In FY2014 the amount of the Project was increased up to USD 66,000,000 00 by increasing the amount of co-financing of RF funds.

General management and strategic supervision over the Project as well as approval of annual work plans and programs is vested with Interagency Coordination Council on the implementation of the Second State Statistical System Development Project (ICC), which has been set up by Rosstat executive order. It comprises representatives of the agencies participating in the Project: Federal

State Statistical Service (Rosstat), the Ministry of Finance of Russia (Minfin of Russia), the Ministry of Economic Development of Russia.

Foundation "Bureau of Economic Analysis" (BEA Foundation) acts as a Project Preparation Unit in compliance with the Loan Agreement. According to its Charter BEA Foundation is a legal entity set up as a non-profit foundation and registered by the Ministry of Justice of the Russian Federation in 1996.

According to the Loan № 4876-RU Agreement the Ministry of Finance of Russian Federation and Rosstat signed with BEA Foundation on March 21, 2008 the Agency Agreement № 01-01-06/04-42 (Agency Agreement), where the responsibilities of BEA Foundation in such areas as procurement, financial management, Project funds disbursement and reporting are specified.

In the process of the Project implementation BEA Foundation acts as a Project Implementation Unit to the Ministry of Finance of Russian Federation (Minfin) and Rosstat as it is set forth in the Agency Agreement № 01-01-06/04-42 dated March 21, 2008 (Agency Agreement) between Ministry of Finance of Russia, Rosstat, and BEA Foundation.

In accordance with the Agency Agreement BEA Foundation on behalf of Trustees (Minfin of Russia and Rosstat) performs legal and other actions related to the Project implementation in accordance with the Loan Agreement and the Agency Agreement. All Project funds inclusive the Loan funds and the co-financing of RF funds as well as the assets purchased out of them, belong to the Russian Federation and do not belong to BEA Foundation as a legal entity. BEA Foundation does not derive any income from its PIU activities. The BEA Foundation expenses, related to performance of legal and other activities under the Agency Agreement are fully financed from the Project Operating costs under the Component E "Project management, monitoring and evaluation" sources of funds.

In the process of the Project implementation BEA Foundation is bound by financial covenants set forth in the Agency Agreement. BEA Foundation is responsible for preparation of annual Project Financial Statements (Financial Statements) and their submission to the IBRD, Minfin of Russia and Rossta together with Auditors' report prepared by independent auditors.

The Loan Agreement between Russian Federation and IBRD for purpose of the Project financing (Loan Agreement № 4867-RU) was signed on November 30, 2007 and was effective on April 22, 2008. According to the Loan Agreement the Project shall be completed by August 25, 2012.

Due to necessity to finalize all priority activities under the Project provided by the Loan Agreement № 4867-RU, on the basis of the Rosstat written proposal to extend the Project implementation and with the approval of the Ministry of economic development of RF (letter dated February 24, 2012 № 3127-OC/Д25) and of the Minfin of Russia and also on the basis of the letter of Minfin of Russia dated March 01, 201 № 17-04-08/562, IBRD in a letter dated May 17, 2012 № 2012-00193/ECCU1 agreed with the proposed extension of the STASYS-2 Project implementation and set the Closing date of the loan № 4867-RU on February 28, 2014.

In order to further implement activities under the STASYS -2 Project to continue the reform of the state statistics, Rosstat in the year 2013 addressed the Minfin of Russia and the Ministry of Economic Development of Russia to increase the amount of Project STASYS -2 financing by increasing the amount of co-financing from the Russian Federation, as well as to transfer STASYS-2

Project Closing date on December 31, 2015. Minfin of Russia in a letter dated September 2, 2013 № 17-04-12/35961 sent the corresponding request to IBRD. IBRD in a letter dated January 27, 2014 № 2014-00016/ECCU1 set the Closing date for the loan № 4867-RU on December 31, 2015. This amendment to the Loan № 4867-RU Agreement came into effect after the signing of the Ministry Minfin of Russia on February 6, 2014.

In order to complete the reforming of the state statistics in the frames of the Project activities, Rosstat in the year 2014 addressed the Minfin of Russia and the Ministry of Economic Development of Russia to increase the amount of Project STASYS-2 financing by increasing the amount of co-financing from the Russian Federation, as well as to transfer STASYS-2 Project Closing date on December 31, 2018. Minfin of Russia in a letter dated December 24, 2014 № 17-04-08/67003 sent the corresponding request to IBRD. IBRD in a letter dated May 20, 2015 set the Closing date for the loan № 4867-RU on December 31, 2018. This amendment to the Loan № 4867-RU Agreement came into effect after the signing of the Ministry Minfin of Russia on May 27, 2015.

Note 2

Compliance Statement and Compilation Principles

2.1. Compliance with IBRD Guidelines

Financial statements are compiled in compliance with the IBRD Guidelines.

2.2. Cash Accounting and Financial Reporting

These financial statements are based on cash accounting and reporting model, which is acceptable under IBRD Guidelines for IBRD non-revenue-earning and non-commercial projects.

Cash accounting means that the Project sources of funds are reflected in the financial statements for the period to which they were received on the Project Bank Accounts or withdrawn from the IBRD Loan Account as direct payments; the Project expenditures are reflected for the period to which they were paid from the Designated Account, RUR Project Account or from the IBRD Loan Account.

Note 3

Financial Management System and Accounting Policies

3.1. Financial Management System

BEA Foundation has set up and maintains a Financial Management System. The Financial Management System structure and principles are formulated in the STASYS-2 Project Operations Manual approved by IBRD. Detailed accounting policies are regulated by BEA Foundation management. In FY2014 BEA Foundation has adopted new version of accounting policies. The accounting policies significant to the STASYS-2 Project Financial Statements are specified below.

3.2. Separation of BEA Foundation and Project Assets and Accounts

The assets and liabilities of BEA as a legal entity are accounted for and reported separately from those assets and liabilities attributable to the Project. Separate accounting is facilitated by maintaining separate bank accounts assigned exclusively for Project needs (see notes 7 and 8 herein).

The Project Financial Statements include all sources of funds, attributable to the Project, comprising Loan № 4867-RU funds and co-financing of RF funds.

3.3. Local Currency for Accounting Purposes

The Project funds are provided in two currencies: IBRD Loan funds - in US Dollars, GOR co-financing funds - in Russian Rubles (RUR)

The Project expenditures can be incurred and paid in different currencies.

The majority of the Project expenditures are paid in RUR.

A set of the Project accounts is kept in Russian Rubles as required by Russian accounting rules and regulations. In addition a set of accounts reflecting Project sources and uses of funds is also kept in US Dollars. Currency translation policy is described below.

3.4 Financial reporting currency and currency translation policies

The Project Financial Statements are prepared in US Dollars for the following reasons:

- the Project is appraised in USD in the PAD; the Loan Agreement, the Project Procurement plan and annual Budgets are produced in USD;
- one part of the Project financing comes from IBRD Loan provided in USD,
- the Designated Account is maintained in USD.

In order to provide comparable financial information to Russian users of Financial Statements, two statements (Project Sources and Uses of Funds; Uses of Funds (by the Project Components and activities) are also prepared in Russian Rubles (RUR)

The Project Financial Statements are prepared in US dollars and Russian Rubles

The official exchange rate of the Bank of Russia on December 31, 2013 was equal to RUR 32 7292 for 1 USD. Designated Account opening balance for the reported period as at January 01, 2014 is recognized as equal to the Designated Account closing balance as at December 31, 2013 and translated into USD at the Bank of Russia official rate as at December 31, 2013

The official exchange rate of the Bank of Russia on December 31, 2014 was equal to RUR 56 2584 for 1 USD (see Note 4 herein)

3.4.1 Translation of RUR in the Statements Prepared in USD

The Co-financing of RF funds received in RUR are translated into USD and reported in the Financial Statements at the Bank of Russia official rates effective at the dates when these funds are paid into RUR Project account. The expenditures paid out of these funds are translated at the average-weighted rate for each quarter of the reported period at the dates when the co-financing of RF funds were paid into RUR Project account. In the reported period the exchange rate adjustments of RUR Project Account (co-financing of RF funds) in RUR daily balances in the amount of USD '000 723 (gains) are included into the Project expenditures (share from co-financing of RF funds).

RUR expenditures paid out of converted Loan funds are reported in USD at the actual rates of conversion of designated account funds (equal to the Bank of Russia official rates) spent on the reported expenditures. The same rates are used in Applications for withdrawal for Designated Account replenishments submitted to IBRD throughout the year. Loan funds are converted by BEA requests in amounts limited to actual needs.

RUR Project Account opening and closing balances for the reported period are translated into USD at the Bank of Russia official rate as at December 31, 2013, and December 31, 2014, accordingly (see Note 4 hereto).

3.4.2 Translation of USD in the Statements Prepared in RUR

Loan funds paid into designated account, as well as Loan funds paid through direct payments are translated into RUR at the Bank of Russia official rates effective at the payment dates. Expenditures paid in USD are translated at the Bank of Russia rate effective at payment dates.

Designated account opening and closing balances for the reported period are translated into USD at the Bank of Russia official rate as at December 31, 2013, and December 31, 2014, accordingly (see Note 4 hereto).

The exchange rate adjustments of Designated Account in RUR daily balances (due to fluctuation of the Bank of Russia official USD/RUR rate) in the amount of RUR'000 7,603,0 (gains) are included into the "Sources of Funds".

3.5 Operating Costs shared between the Projects implemented by BEA Foundation

Besides the Development of the State Statistical System Project-2, which started in FY2008, BEA Foundation took part in FY2014 in implementation of the "Second Hydrometeorological Modernization Project" (RHM-2 Project), which started on May 08, 2014 and continued to implement the activities under preparation of "Yakutia Innovative Pre-School Development" Project which were started at August 31, 2013

RHM-2 Project is jointly financed by the Russian Federation and IBRD which extended in FY 2014 to the Russian Federation the Loan № 8291-RU in the amount equal to USD 60,000,000 00 for

its implementation. The Loan № 8291-RU was effective on May 08, 2014, the RHM-2 Project implementation should be completed by December 31, 2018

The "Yakutia Innovative Pre-School Development" Project preparation was financed in FY2014 by the Government of Republic Sakha (Yakutia), which extended the funds from the republic budget of Republic Sakha (Yakutia) in the amount of RUR 8,654,361 00 for this purpose

The funds of the named Projects were managed by BEA Foundation and accounted for separately. Separate set of Project Financial Statements was prepared by BEA annually for each Project

In order to save on Project management costs and because of using joint office space for the Projects, some types of the operating costs were shared between the Projects according to the internal instructions of BEA Foundation in proportion to the amount of staff members, involved in implementation of the Projects

The shared operating costs in FY2014 comprise:

- salaries of some BEA staff members, involved in implementation of the Projects;
- office rent and utilities;
- telephone/fax expenses, office supplies, car rental expenses;
- other operating costs charged by joint suppliers.

Each shared operating expense is split into separate payments made from separate RUR Project accounts to suppliers' or staff accounts and is charged to the Project costs in actually paid share.

Note 4

Reported Period

The Project Financial Statements are prepared for each calendar year of the Project implementation. The present Project Financial Statements cover the period from January 01, 2014, to December 31, 2014.

Note 5

Planned Data

The Project Procurement Plan and the Annual Project Budget are considered to be the basic Project planning documents. The Procurement Plan is based initially on PAD and further duly amended by the Interagency Coordinating Council (ICC) and approved by the IBRD.

The above documents are prepared in USD so the planned data is provided for comparison only in Statements prepared in USD.

The Procurement plan for the Project, which is shown in the present Financial Statements, was considered and accepted by ICC on the implementation of the Project on December 22, 2014 (Minutes № 32), agreed with the Minfin of Russia on January 28, 2015 (letter dated January 28, 2015 № 14-04-12/2883), with the Ministry of Economic Development of Russia on January 26, 2015 (letter dated January 26, 2015 № 1148-АЦ/Д14и, approved by the World Bank on February 10, 2015.

The Project budget for FY 2014, including the operating costs budget for FY2014 was considered and accepted by ICC on the implementation of the Project on February 14, 2014 (Minutes № 27), agreed with the Minfin of Russia on February 28, 2014 (letter dated February 28, 2014 № 17-04-12/8621), with the Ministry of Economic Development of Russia on March 20, 2014 (letter dated March 20, 2014 № 5682-АК/Д14и), approved by the World Bank on April 16, 2014 and approved by the Head of Rosstat on March 24, 2014.

Note 6

Loan Disbursement Model

In accordance with the Loan Agreement the Loan № 4867-RU disbursement is based on traditional IBRD model, using Statement of Expenses (SOE), summary sheets and direct payments. During the reported period disbursement of the Loan funds was realized using Statements of Expenses and Summary Sheets.

Note 7

Designated Account

In accordance with the Loan and the Agency Agreements, the Designated Account in US Dollars № 40703840938360016898 (Designated Account) in BEA Foundation name was opened with the Savings Bank of the Russian Federation (Sberbank) selected on a tender basis in April of 2008 upon IBRD, Sberbank and Minfin approval. The terms of Designated Account opening and keeping, agreed with IBRD, Minfin and Sberbank, are established in the Agreement, signed by BEA Foundation and Sberbank.

The Designated Account ceiling comprises the amount of USD 1,000,000.00 and the initial Deposit was paid from IBRD Loan account into Designated Account in 2008. As the Loan funds were being used for financing eligible expenditures, BEA Foundation submitted to IBRD applications with reports on the used funds. In FY2014 the Designated account was replenished on the basis of Applications for withdrawal submitted by BEA Foundation to IBRD.

According to the orders of Minfin of Russia and terms of the Agreement between BEA Foundation and Sberbank, the interest earned on the Designated account balance is not accumulated and directly transferred to the Federal Budget of Russian Federation by Sberbank

Note 8

RUR Project Account

In order to facilitate payments in Russian Rubles, RUR Project Account № 40703810638360016898 was opened in BEA Foundation name with Sberbank.

RUR Project account accumulated both GOR co-financing funds and RUR funds received after the Loan funds conversion. Sberbank made USD to RUR conversions at the Bank of Russia official exchange rate effective on the value dates.

According to the orders of Minfin of Russia and terms of the Agreement between BEA Foundation and Sberbank, the interest earned on the RUR Project Account balance is not accumulated and directly transferred to the Federal Budget of Russian Federation by Sberbank.

Note 9

Project financing from IBRD Loan

The Project is implemented with use of the Loan № 4867-RU extended by IBRD to the Russian Federation in the amount of USD 10,000,000.00. According to the conditions of the original Loan Agreement № 4867-RU all the Project expenses were financed from the Loan funds in the amount of 20%

In FY2014 the Loan Agreement № 4867-RU was amended with regard to the amount of the STASYS-2 Project shares of financing by the IBRD and the Russian Federation. Beginning from February 06, 2014 the STASYS2 Project expenditures are financed from the Loan funds as following:

- under the Loan Category 1 – in the amount of 5%;
- under the Loan Category 2 – in the amount of 3%.

The total amount withdrawn from the Loan № 4867-RU account by December 31, 2014, was USD 9,378,427.82, or 94% of the total Loan amount.

The table below provides information on cumulative uses of the Loan № 4867-RU funds as at December 31, 2014 (by Loan categories, according to the Loan Agreement) The figures are cumulative and rounded off.

Table 1

				(USD'000)
No.	Category Description	Assigned under the Loan Agreement	Used (actually paid)	Unused
1	Goods, consultants' services for the Project	9,380	8,424	956
2	Operating costs	620	598	22
Total Uses of Loan Funds		10,000	9,022	978
Add: Loan funds advanced into Designated Account and not yet disbursed as at December 31, 2014 (inclusive Loan Funds, converted into RUR)			356	
Total Loan Funds disbursed from Loan Account with IBRD			9,378	

The tables below provide information on actual amounts of Loan № 4867-RU funds received and disbursed by the Project (by the Components according to the Loan Agreement and Procurement Plan) in the reported period and cumulatively.

Table 2

IBRD funds received	USD'000		RUR'000	
	Reported period	Cumulative	Reported period	Cumulative
IBRD funds	718	9,378	33,848	302,405
Total	718	9,378	33,848	302,405

Table 3

IBRD funds used	USD'000		RUR'000	
	Reported period	Cumulative	Reported period	Cumulative
Component A. Modernization of economic statistics methodology	12	620	450	18,942
Component B. Development of modern design and technology for statistical data collection, processing, and dissemination	311	6,371	11,882	201,007
Component C Enhancement of social statistics	2	406	76	12,536
Component D. Human resource development	10	965	351	29,517
Component E. Project management, monitoring and evaluation	28	660	1,065	20,343
Total	363	9,022	13,824	282,345

The Loan funds closing balance (inclusive Loan funds advanced into the Designated Account and Loan funds converted into RUR) as of December 31, 2014 was USD 356,566.13 (RUR 20,059,839.68 equivalent), of which Loan funds advanced into the Designated account comprised USD 356,566.12 (RUR 20,059,839.41 equivalent), Loan funds converted into RUR comprised USD 0.01 (RUR 0.27 equivalent).

Note 10

Project Co-financing from the Federal budget of the Russian Federation

The Project implementation is provided also by the Russian Federation co-financing funds, estimated in the Project Appraisal Document (PAD) in the amount of USD 40,000,000.00. According to the conditions of the original Loan № 4867-RU Agreement all the Project expenses were financed from the co-financing of RF funds in the amount of 80%.

In FY2014 the co-financing of RF funds were increased up to USD 56,000,000.00 and the Loan Agreement № 4867-RU was amended with regard to the amount of the STASYS-2 Project shares of financing by the IBRD and the Russian Federation. Beginning from February 06, 2014 the STASYS-2 Project expenditures are financed from the co-financing of RF funds as following:

- under the Loan Category 1 - in the amount of 95%;
- under the Loan Category 2 - in the amount of 97%

Rosstat has been appointed as the Federal Budget Funds Controlling Body for the Project implementation according to the Project Agreement between Ministry of Finance of Russia, Rosstat and BEA Foundation

The co-financing of RF funds were provided to the Project in the reported period in the form of Federal budget funds assigned for payments of co-financing share (inclusive VAT).

These funds were provided by Rosstat in the reported period in accordance with the Project Agreement in the sufficient amount.

These funds were considered as the Project source of funds and were incorporated in total into BEA financial statements on the Project as GOR co-financing.

The tables below provide information on actual amounts of co-financing of RF funds received and disbursed by the Project (by the Components according to the Loan Agreement and the Procurement Plan) in the reported period and cumulatively

Table 4

Co-financing of RF funds received	USD'000		RUR'000	
	Reported period	Cumulative	Reported period	Cumulative
Government of Russian Federation co-financing funds	10,570	46,709	497,000	1,629,757
Total	10,570	46,709	497,000	1,629,757

Table 5

Co-financing of RF funds used	USD'000		RUR'000	
	Reported period	Cumulative	Reported period	Cumulative
Component A. Modernization of economic statistics methodology	261	2,574	8,553	82,520
Component B. Development of modern design and technology for statistical data collection, processing, and dissemination	5,265	29,469	185,367	941,865
Component C. Enhancement of social statistics	40	1,639	1,456	51,294
Component D. Human resource development	137	3,889	4,805	121,470
Component E. Project management, monitoring and evaluation	763	3,241	23,735	100,846
Total	6,466	40,812	223,916	1,297,995

The Project co-financing of RF closing balance as at December 31, 2014 is USD 5,897,105.44 (RUR 331,761,716.92 equivalent).

Note 11

Project Budget Performance

The Project Budget data for the reported period given in the financial statements is based on the Project Budget-2014 and Procurement Plan approved by Ministry of Finance of RF, Ministry of Economic Development, the ICC and IBRD.

The planned data for the whole Project life is based on the Loan Agreement and the Procurement Plan in operation at the reported date, namely the version of the Procurement Plan approved in January, 2015 by Ministry of Finance of RF, Ministry of Economic Development, and IBRD, and considered by the 32th ICC meeting on December, 22 2014.

In FY2014, activities under 30 lots making up the Project implementation Plan for FY2014 were underway.

The table below provides summarized information on Project Budget-2014 actual cash performance

Table 6

(USD'000)			
Project Expenditures	Actual	Budget for reporting period	Used (%)
Component A Modernization of economic statistics methodology	273	1,055	(26%)
Component B. Development of modern design and technology for statistical data collection, processing, and dissemination system	5,576	10,208	(55%)
Component C. Enhancement of social statistics	42	158	(27%)
Component D. Human resource development	147	138	(106%)
Component E. Project management, monitoring and evaluation	792	862	(92%)
Total	6,829	12,421	(55%)

As it is seen from the Table 6 the Project Budget for FY2014 was performed at 55%

The reasons for underperformance of the approved for FY2014 STASYS-2 Project Budget are as following:

Exchange rate differences in the total amount of USD'000 723 (gains) resulting from translation into US dollars the Project expenditures share from co-financing of RF funds, received and used in Russian rubles (see Note 3.4.1), of which under the Component A – USD'000 18, the Component B – USD'000 546, the Component C – USD'000 1, the Component D – USD'000 16, the Component E – USD'000 144

Economy or excess on some contracts under implementation during the reported period due to exchange rate fluctuations

Extended bidding procedures under Component A and B, for which reason the contracts were signed later and the payments were transferred to FY2015

Hereunder is the information on the Project budget-2014 execution by the Components of the Procurement Plan in FY2014:

The actual cost of the Component A was 26% of the planned Project budget-2014. The deviation is due to the transfer to the FY2015 of principal payments under the contracts for the lots

A.1.11, A.1.12, A.1.13, because of the fact that the contracts were signed later than had been planned and in the reported period the activities have been started only

The actual cost of the Component B was 55% of the planned Project budget-2014. The main reasons for deviation: 1) exchange differences on payment under the contracts denominated in rubles, 2) exchange differences on translation of the Project expenditures share from co-financing of RF funds, received and used in Russian rubles, 3) later than planned signing of the contracts due to increased duration of bidding procedures

The actual cost of the component C was 27% of the planned Project budget-2014. The deviation from the planned budget is due to the late signing of the contract under the Lot C.1.7, and therefore part of the planned for FY2014 payments was carried over to FY2015

Actual expenditures under the Component D were 106% of the planned Project budget-2014. The deviation is due to the exchange rate differences on the Project expenditures share from the co-financing of RF funds, which are reported in the Project costs of the reporting period.

The cost of the component E was 92% of the planned Project budget-2014. The deviation was due to 1) savings in the purchasing of equipment for PIU use, 2) savings in the purchasing of services of audit of financial statements for the Project STASYS-2 for 2013, 3) not engaging the services of individual consultants under the lot E.3.1. The budget of the project operating costs in 2014 was executed in the amount of 104% (see. Note 12), the excess of actual reported costs over the planned for this item was due to the exchange rate differences on translation of the Project operating costs expenditures share from the co-financing of RF funds, received and used in Russian rubles.

Note 12

Project Management Costs

Project management costs include cost of translation of technical requirements, terms of reference under the Project, cost of monitoring the Project efficiency, cost of annual audit of the project, cost of equipment procured for the PIU use, Project operating costs

The Project management costs are estimated as USD'000 4,159 or 6,3% of the total Project costs (USD'000 60,000), increased in FY2014. The Operating costs breakdown is approved in details as a part of the annual Project budget by Ministry of Finance of RF, Ministry of Economic Development of RF, the ICC and IBRD

The actual operating costs as at the end of the reported period are USD'000 3,506 or 84,3 % of the total Operating costs amount

In order to save Projects funds, in FY2014, operating costs in common were shared according to the inner BEA Foundation instructions between STASYS-2 Project, the RHM-2 Project, preparation of "Yakutia Innovative Pre-School Development" Project during the corresponding periods of the Projects implementation (see Note 3.5 herein)

The operating costs budget for FY2014 was approved the Minfin of Russia, the Ministry of Economic Development of RF and IBRD and approved by Rosstat in the amount of USD'000 671

(equivalent of RUR'000 22,736 translated at the planned exchange rate in the amount of RUR 33.9 for USD 1). The actual reported operating costs in FY2014 comprised USD'000 696 (equivalent of RUR'000 21,654). The excess of actual reported expenditures over the planned expenditures was due to an exchange rate difference on the translation of the balance of the cofinancing of RF funds, received and used in RUR, at the reported dates and reported in the operating costs (see Note 3.4.1).

The table below provides information on the Project Operating Costs as at December 31, 2014.

Table 7

Operating costs	(USD'000)			
	Actual		Budget	
	Reported period	Cumulative-to-date	Reported period	Cumulative-to-date
<u>BEA staff costs</u>				
BEA staff salaries	462	2,494	466	2,498
BEA staff business trips and training	14	35	11	32
Total BEA staff costs:	476	2,529	477	2,530
<u>Operating Rent Costs</u>				
Office rent	129	673	129	673
Total rent costs:	129	673	129	673
<u>Costs of office maintenance</u>				
Stationary, bank charges, transportation, information, others	91	304	65	278
Total costs of office maintenance	91	304	65	278
TOTAL	696	3,506	671	3,481

Cost of translation paid under the STASIS-2 Project in FY 2014 was USD'000 52

Cost of annual audit report for the FY 2013 payable in the FY 2014 was USD'000 17 (auditor –
"Nexia Pacioli")

Cost of equipment for the PIU use purchased in FY2014 was USD'000 26

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