



LN 8606-BY

Supplemental Letter No. 2

REPUBLIC OF BELARUS

April 1, 2016

International Bank for
Reconstruction and Development
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Re: Loan No. 8606-BY
(Public Financial Management Modernization Project)
Performance Monitoring Indicators

Dear Sirs and Mesdames:

This refers to paragraph A of Section II of Schedule 2 to the Loan Agreement of even date herewith between the Republic of Belarus (the Borrower) and the International Bank for Reconstruction and Development (the Bank). The Borrower hereby confirms to the Bank that the indicators set out in the attachment to this letter shall serve as a basis for the Borrower to monitor and evaluate the progress of the Project and the achievement of the objectives

Very truly yours,

REPUBLIC OF BELARUS

By 
Authorized Representative

**Belarus: Public Financial Management Modernization Project
(Loan No. 8606-BY)**

Results Framework and Monitoring

Project Development Objectives

To improve policy alignment of the budget, consolidate cash balances, improve budget transparency and lay foundations for implementation of an Integrated Financial Management Information System (FMIS)

These results are at | Project Level

Project Development Objective Indicators

Indicator Name	Baseline	Cumulative Target Values		
		2017	2018	End Target (2019)
Improved alignment of policies and budgets (Percentage)	16.00	16.00	25.00	50.00
Increase the level of consolidation of cash balances (by reducing balances outside of TSA) (Percentage)	11.00	Decision on approach and mechanism of consolidation of cash balances of the central government agencies is approved	7.00	7.00
Improved budget transparency (Text)	Citizens' budget not prepared	Citizen's budget template is developed	Citizens' budget is published on annual basis online and includes information on budget	Citizens' budget is published online on annual basis and includes information on budget execution disaggregated at the level of approved budget;

			execution disaggregated at the level of approved budget; information on medium term financial program.	information on medium term financial program; and analysis of links between financing and results. Citizens' questions and feedback are published on the website along with responses of the MoF to frequently asked questions.
Foundations for FMIS (Text)	Future business processes to be supported by FMIS are not fully defined	FMIS High Level Design is approved	Revised business processes developed	Bidding documents for FMIS are prepared based on approved revised business processes and Unified Chart of Accounts and cover the following functionality including planning, execution, financial control, accounting and reporting, debt management

Intermediate Results Indicators

Indicator Name	Baseline	Cumulative Target Values		
		2017	2018	End Target (2019)
Improved capacity for macroeconomic forecasting for medium term budgeting (Text)	No financial programming model is used	No financial programming model is used	Financial programming model is obtained and training of staff is ongoing	Financial programming model is used for preparation of macroeconomic forecast
Tax expenditures assessment (Text)	Tax expenditure assessments not conducted	Methodology for tax expenditures assessment developed	Methodology for tax expenditures assessment is approved	Tax expenditure estimates are prepared as part of the annual budgeting process
Program budgeting methodology (Text)	Program budgeting methodology does not clearly link objectives and resources	Program budgeting methodology review is ongoing.	Program budgeting methodology is drafted.	Program budgeting methodology is approved, allows looking at different social dimensions, including gender, in selected relevant programs.
Integration of budget and financial reporting based on international standards	Methodological basis for public sector financial and budget reporting are not	Structure of a Unified Chart of Accounts integrated with the budget classification, including	Unified Chart of Accounts integrated with the budget classification, including program classification	Unified Chart of Accounts integrated with the budget classification and guidelines for its application are approved.

(Text)	integrated and deviate from applicable international standards	program classification, is developed	approved. Mapping tables prepared.	
Enhanced quality of debt management reports (Text)	Debt management reports do not cover contingent liabilities	Debt management reports do not cover contingent liabilities	The explicit list of contingent liabilities is prepared.	100% of sovereign loan guarantees are included in debt management reports. Risk analysis of government contingent liabilities is produced
Conceptual framework for public sector accounting reform (Text)	Public sector accounting reform is defined as a priority in PFM Strategy, but reform direction is not defined	The conceptual framework for public sector accounting reform and action plan for its implementation developed	The conceptual framework for public sector accounting reform and action plan for its implementation developed	Public sector accounting reform implementation launched by finalizing development of first 3-4 accounting standards compliant with IPSAS
Modernization of business processes (Text)	Future business processes to be supported by FMIS are not fully defined	-	Revised business processes developed	Revised business processes approved

Indicator Description

Project Development Objective Indicators

Indicator Name	Description (indicator definition etc.)	Frequency	Data Source / Methodology	Responsibility for Data Collection
Improved alignment of policies and budgets	Coverage of budget expenditures by state programs. State programs refer to programs that define government priorities, objectives, activities and are financed from the republican budget, local budgets and state extra budgetary funds in full or in part.	Annual	MoF budget execution reports	MoF
Increase the level of consolidation of cash balances	Extra-budgetary means of budget organizations as well as expenditures of several extra-budgetary funds managed	Annual	MoF data	MoF

	outside the TSA as a share of republican budget expenditures			
Improved budget transparency	Citizens' budget is published online on annual basis and includes information on budget execution disaggregated at the level of approved budget; information on medium term financial program; and analysis of links between financing and results. Citizens' questions and feedback are published on the website along with responses of the MoF to frequently asked questions.	Annual	MoF web-site	MoF
Foundations for FMIS	Development of budding documents based on functional requirements on approved revised business processes and Unified Chart of Accounts and cover the following functionality including planning, execution, financial control, accounting and reporting, debt management.	Annual	IT Center information	IT Center

Intermediate Results Indicators

Indicator Name	Description (indicator definition etc.)	Frequency	Data Source / Methodology	Responsibility for Data Collection
Improved capacity for macroeconomic forecasting for medium term budgeting	Financial programming model is used for preparation of macroeconomic forecast	Annual	Information from the MoE	MoE
Tax expenditures assessment	Methodology for tax expenditures assessment developed and approved. Tax expenditure estimates are prepared as part of the annual budgeting process	Annual	MoF budget preparation documents	MoF
Program budgeting methodology	Program budgeting methodology is approved, allows looking at different social dimensions, including gender, in selected relevant programs	Annual	(i) Belarus Government legislation and other regulatory documents on program budgeting: (ii)	MoF

			relevant sector programs	
Integration of budget and financial reporting based on international standards	Unified Chart of Accounts integrated with the budget classification and guidelines for its application are developed and approved	Annual	Information from the MoF.	MoF
Enhanced quality of debt management reports	100% of sovereign loan guarantees are included in debt management reports. Risk analysis of government contingent liabilities is produced	Annual	Information from the MoF	MoF
Conceptual framework for public sector accounting reform	Conceptual framework for public sector accounting reform is developed. Implementation of the reform is launched	Annual	(i) Information from the MoF; (ii) Belarus Government legislation and other regulatory documents on public accounting	MoF
Modernization of business processes	Future business processes to be supported by FMIS are revised and approved	Annual	Information from the MoF	MoF