

## **Project Financial Statements**

**The Ministry of Education, Romania – School and  
University Network Modernization Project Management  
Unit**

**“Romania Safer, Inclusive and Sustainable Schools”  
Project**

**IBRD Loan no. 9236-RO**

**For the period from 1 January 2023 to 31 December 2023**

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## Independent Auditor's Report

**To: The Ministry of Education, Romania – School and University Network Modernization  
Project Management Unit (SUNMPMU)**  
12 Spiru Haret Street, District 1, Bucharest, Romania

### Opinion

1. We have audited the accompanying financial statements of the Project "Romania Safer, Inclusive and Sustainable Schools" (the "Project"), financed by the International Bank for Reconstruction and Development (the "IBRD") through Loan Agreement 9236-RO signed on 6 May 2021 ("Project financial statements"). Project financial statements comprise Statement of funds received and uses of funds, Summary of funds received and uses of funds, Statement of expenditures for the period from 01 January 2023 to 31 December 2023 and a summary of significant accounting policies and other explanatory notes.
2. In our opinion, the Project financial statements for the period from 01 January 2023 to 31 December 2023 are prepared, in all material respects, in accordance with the significant accounting policies described in the note 2 to the Project financial statements, the World Bank guidelines, and the relevant provisions of the Loan Agreement 9236-RO.

### Basis for opinion

3. We conducted our audit in accordance with International Standards on Auditing ("ISAs") and Law no. 162/2017 („Law”). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Project Financial Statements* section of our report. We are independent of the Project and SUNMPMU in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (the "IESBA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Romania, including the Law, and we have fulfilled our other ethical responsibilities in accordance with those ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Emphasis of matters**

4. We draw attention to note 2 to the Project financial statements, which describes the basis of accounting. The Project financial statements are prepared to assist management of the SUNMPMU to meet the requirements of the financial reporting of the World Bank guidelines, and the relevant provisions of the Loan Agreement 9236-RO. As a result, the Project financial statements may not be suitable for another purpose. Our report is intended solely to SUNMPMU and World Bank and should not be distributed or used by other parties, except for SUNMPMU and World Bank. To the extent permitted by law, by issuing this opinion, we do not accept or assume responsibility for the use of this report for any other purposes or to any other person to whom this report may come. Our opinion is not modified in respect of this matter.

### **Responsibilities of Management and Those Charged with Governance for the Project Financial Statements**

5. Management is responsible for the preparation and fair presentation of the Project financial statements in accordance with the accounting policies described in the note 2 to the Project financial statements, the World Bank guidelines, and the relevant provisions of the Loan Agreement 9236-RO, and for such internal control as management considers is necessary to enable the preparation of Project financial statements that are free from material misstatement, whether due to fraud or error.
6. In preparing the Project financial statements, management is responsible for assessing the Project's ability 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 terminate the Project, or has no realistic alternative but to do so.
7. Those charged with governance are responsible for overseeing the Project's financial reporting process.

### **Auditor's Responsibilities for the Audit of the Project Financial Statements**

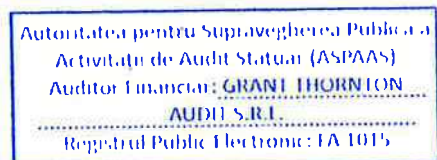
8. Our objectives are to obtain reasonable assurance about whether the project financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a 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 Project financial statements.
9. 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 Project financial statements, 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 Project Fund's internal control.
  - 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 Project'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 Project 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 Project to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the Project financial statements, including the disclosures, and whether the Project financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
10. We communicate with the management, 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.

On behalf of  
Grant Thornton Audit SRL  
Registered with the Authority for Public Supervision of the Statutory Audit Activity in Romania  
In Electronic Public Register of Financial Auditors and Audit Firms  
With registration number FA1015/2010

Rapan Claudia Mihaela  
Registered with the Authority for Public Supervision of the Statutory Audit Activity in Romania  
In Electronic Public Register of Financial Auditors and Audit Firms  
With registration number AF4586/2013

Bucharest, Romania  
12 June 2024



## List of abbreviations

ME - Ministry of Education of Romania

PMU - Project Management Unit established within ME - School and University Network Modernization Project management Unit (SUNMPMU)

IBRD - International Bank for Reconstruction and Development

Loan - the Loan Agreement (Loan No. 9236 - RO) for Romania Safer, Inclusive and Sustainable Schools Project

MF - Ministry of Finance

NBR - National Bank of Romania

GR - Government of Romania

# Statement of funds received and uses of funds

In EUR

## Statement of the IBRD Loan Account of the Ministry of Education as at 31 December 2023

	31 December 2023	31 December 2022
<b>Loan amounts not disbursed</b>		
Loan amount approved	100,000,000	100,000,000
Less: Total disbursements from loan	(779,122)	(49,251)
<b>Total</b>	<b>99,220,878</b>	<b>99,950,749</b>
	<b>31 December 2023</b>	<b>31 December 2022</b>
Opening balance of disbursed amounts	49,251	-
Disbursements during the reporting period	729,871	49,251
<b>Closing balance of disbursed amounts</b>	<b>779,122</b>	<b>49,251</b>
Amount approved	100,000,000	100,000,000
<b>Not disbursed amounts</b>	<b>99,220,878</b>	<b>99,950,749</b>

## Statement of the IBRD Loan Account of the Ministry of Education as at 31 December 2023 – by components

Sources - IBRD contribution per component (EUR)	Cumulated Sources	Transferred Sources	Cumulated Sources
	Until 31 December 2022	1 January 2023 31 December 2023	Until 31 December 2023
Component 1	12,437	258,540	270,977
Component 2	-	-	-
Component 3	-	-	-
Component 4	36,814	471,331	508,145
Component 5	-	-	-
<b>Total disbursed amounts</b>	<b>49,251</b>	<b>729,871</b>	<b>779,122</b>

During 2023 were disbursed by IBRD the withdrawal requests (Statements of Expenditure) No. 2 of 17 July 2023 in the amount of EUR 328,843 and No. 3 of 15 November 2023, in the amount of EUR 401,028.

During 2024, the following were collected: Statements of Expenditure No. 4 of 18 January 2024 in the amount of EUR 94,344 which includes eligible payments made in the period from 1 November 2023 to 31 December 2023, Statements of Expenditure No. 5 of 12 March 2024 in the amount of EUR 228,520 which includes eligible payments made in the period from 1 January 2024 to 29 February 2024.

Approved on 12 June 2024 by:

Ms. Dîrstaru Mirela Otilia  
Head of Project Management Unit

Ms. Mihaela Tătaru  
Head of Economic Service - Project Management Unit

Mr. Ondin Popescu  
Financial consultant

This statement is to be read in conjunction with the notes to and forming part of the project financial statements set out on pages 10 to 15.

# Summary of funds received and uses of funds

*In EUR*

<b>Description</b>	<b>Cumulative at 31 December 2022</b>	<b>1 January 2023 - 31 December 2023</b>	<b>Cumulative at 31 December 2023</b>
Opening cash balance	-	-	-
<b>Add: cash receipts</b>	<b>77,035</b>	<b>796,431</b>	<b>873,466</b>
Funds pre-financed by MF and disbursed by IBRD	49,251	729,871	779,122
-of which afferent the previous year	-	(27,784)	na
Funds pre-financed by MF and disbursed by IBRD next year	27,784	94,344	94,344
<b>Less project expenditure</b>	<b>77,035</b>	<b>796,431</b>	<b>873,466</b>
<b>Closing cash and cash equivalents balance</b>	<b>-</b>	<b>-</b>	<b>-</b>

These amounts have been derived by applying the RON/EUR exchange rate as at the time of payment using NBR exchange rate.

This statement is to be read in conjunction with the notes to and forming part of the project financial statements set out on pages 10 to 15.



# Statement of expenditures

*In EUR*

## Uses of funds

	<b>Cumulative at 31 December 2022</b>	<b>1 January 2023 - 31 December 2023</b>	<b>Cumulative at 31 December 2023</b>
Payments through treasury account	77,035	796,431	873,466
<b>Total</b>	<b>77,035</b>	<b>796,431</b>	<b>873,466</b>
<b>Uses of funds - by component</b>			
	<b>Cumulative at 31 December 2022</b>	<b>1 January 2023 - 31 December 2023</b>	<b>Cumulative at 31 December 2023</b>
Payments through Treasury account			
Component 1	12,437	270,860	283,297
Component 2	-	-	-
Component 3	-	-	-
Component 4	64,598	525,571	590,169
Component 5	-	-	-
<b>Total</b>	<b>77,035</b>	<b>796,431</b>	<b>873,466</b>

This statement is to be read in conjunction with the notes to and forming part of the project financial statements set out on pages 10 to 15.

# Notes to the project financial statements

## 1 General information

### *Loan agreement*

The Government of Romania received an IBRD loan for a sum of EUR 100,000,000 (USD 121.07 million equivalent), through signing of the Loan Agreement (LA) (dated 6 May 2021) between the Ministry of Finance (“MF”) and the World Bank for the implementation of the “Romania Safer, Inclusive and Sustainable Schools Project” (the Project). The Loan agreement no. 9236 RO between Romania and IBRD was signed on 6 May 2021 and ratified by law no. 299/14 December 2021. The World Bank confirmed that the conditions of effectiveness of the Loan Agreement have been met, consequently, the Loan Agreement became effective on 20 December 2021.

The subsidiary agreement between Ministry of Finance and Ministry of Education was signed on 22 February 2022.

The Front-end fee is one quarter of one percent (0.25%) of the loan amount.

The Commitment Charge is one quarter of one percent (0.25%) per annum on the Unwithdrawn Loan Balance.

The interest rate is the Reference Rate plus the Fixed Spread, or such rate as may apply following a Conversion, subject to Section 3.02(e) of the International Bank for Reconstruction and Development General Conditions for IBRD Financing, Investment Project Financing .

The Payment Dates are 1 March and 1 September in each year.

The principal amount of the Loan shall be repaid in full on 1 March 2031.

The PMU implements the Romania Safer, Inclusive and Sustainable Schools Project (the “Project”), which is financed under the Loan Agreement no. 9236 - RO signed between the International Bank for Reconstruction and Development (the “IBRD”) and the Government of the Romania on 6 May 2021.

Project Development Objectives are to improve the resilience, energy efficiency and learning environment of selected Project schools, and to increase institutional capacity for integrated investments in schools in Romania.

### *Designation of borrowed funds*

#### **Component 1: Integrated Investment in School Infrastructure**

This component will finance all aspects associated with retrofitting and rehabilitation, or demolition and reconstruction, of the highest-risk primary and lower secondary school buildings prioritized to be intervened under the Project, as well as the temporary relocation of students during works and outreach to Project schools and communities.

#### **Component 2: Investing in Clever Classrooms**

This component aims to finance investments in modern classroom furniture and equipment for the Project schools prioritized for retrofit-rehabilitation or demolition-rebuild under Component 1, with the objective of facilitating a better learning environment through investments in digitalization better-quality, and safer classrooms, and flexible and inclusive spaces.

#### **Component 3: Foundations for Future Investments in Resilient and Sustainable and Modern Schools Infrastructure**

This component will finance activities that create the enabling environment for a long-term investment program for resilient, modern, energy efficient and inclusive schools across Romania beyond the estimated 55 Project schools.

#### **Component 4: Project Management**

The component will focus on expanding and supporting the staff capacity needed to ensure successful implementation of the activities carried out under the proposed Project within the ME Project Management Unit (SUNMPMU) and in associated stakeholder groups.

#### **Component 5: Contingent Emergency Response Component**

A Contingent Emergency Response Component (CERC) is an ex ante mechanism available to the Government for rapid access to financing to respond to an eligible crisis or emergency. This component allows for rapid reallocation of uncommitted Project funds toward urgent needs in the event of a natural or man-made disaster (e.g., serious storms, floods, earthquakes, droughts), crisis, or public health emergency (disease outbreaks).

The table below sets the components of items to be financed out of the proceeds of the Loan, the allocation of the amounts of the Loan to each component.

#### *Loan allocation*

According to the Appraisal Document, the components of expenditures financed through IBRD loan proceeds comprise of the following:

Components	Project Financing	
	EUR, millions	US\$ million equivalents
Component 1: Integrated Investment in School Infrastructure	71	85.96
Component 2: Investing in Clever Classrooms	18	21.79
Component 3: Foundations for Future Investments in Sustainable and Modern Schools Infrastructure	4.5	5.45
Component 4: Project Management	6.5	7.87
Component 5: Contingent Emergency Response Component	0	0
<b>Total Financing Required</b>	<b>100</b>	<b>121.07</b>

For the purposes of this Schedule:

- a. the term " Operating Costs" means: expenditures incurred by PMU on the account of the Project implementation, such as: office supplies, utilities, bank charges, communication tools, advertisement fees translation and interpretation services, transportation, travel costs, car rental and fuel costs, office rental and maintenance, moving expenses, equipment maintenance and repair, printing and publications, and per diem allowances and accommodation costs for PMU staff, insurance for goods and salaries for PMU staff, including qualified social charges, but excluding salaries for the Borrower's civil servants.
- b. the term "Statement of Expenditures" means: expense reports used by the Borrower to forward to the IBRD the application for reimbursement of payments already made.
- c. the term "State Treasury Account" means: a bank account opened at the State Treasury of Bucharest where PMU is receiving the requested money from the Ministry of Finance. The Ministry of Finance advances the required amounts for the implementation of the Project and withdraws amounts from the IBRD based on application for disbursement of payments already made.

The legal address of the Ministry of Education, Romania - School and University Network Modernization Project Management Unit ("SUNMPMU") is 12 Spiru Haret Str. District 1, Bucharest, Romania.

## **2 Significant accounting policies**

### **2.1 Basis of preparation**

The Project financial statements were prepared in accordance with the cash basis of accounting, as well as the World Bank guidelines and the relevant provisions of the Loan IBRD 9236 – RO.

For the implementation of the project, PMU uses the policies, procedures and national accounting systems in force.

The accounting is kept in double entry, and the accounting registers are developed chronologically and systematically, in accordance with the chart of accounts and with the methodologies issued by the Ministry of Finance, adapted for the units within the Ministry of Education.

The accounting records of the project are maintained by PMU in accordance with the cash accounting principle and World Bank guidelines, except for certain transactions, which are required to be recorded using the accrual accounting principle (e.g. salary accruals, related contributions, and taxes).

Significant accounting policies are disclosed below.

### **2.2 Functional and presentation currency**

The national currency of Romania is RON, which is also the functional currency of the Project since this currency best reflects the economic substance of the underlying events and transactions of the Project. These project financial statements are presented in EUR (presentation currency), as this is the currency of the Loan and the main beneficiary of this audit report is IBRD.

In preparing the project financial statements, transactions in currencies other than EUR are recorded at the rates of exchange defined by the National Bank of Romania prevailing on the dates of the transactions. These amounts have been derived by applying the RON/EUR exchange rate as at the time of payment, for the internal payments using NBR exchange rate.

### **2.3 Project financing**

Project expenditures are pre-funded from the State Budget, and then the eligible expenses are reimbursed by IBRD through loan 9236-RO.

PMU would use pre-financing from State Budget funds and then the MF would get reimbursed from the loan using the reimbursement method for Project eligible payments. The Treasury makes the monthly budgetary openings as requested, and the Project would receive its allocations in title number 65 in the Treasury system. IBRD loan funds would reimburse the Project eligible expenses pre-financed from the State Budget funds. The Borrower would submit withdrawal applications for the eligible expenditures. The supporting documentation for disbursements would include Statement of Expenditure (SoE).

### **2.4 Project expenses**

The Project expenses are recognized on the cash basis of accounting, except of certain transactions, which are required to be recorded using the accrual accounting principle (e.g. salary accrual, related contributions and taxes). The accumulated Project expenses are disclosed in the Statement of funds received and uses of funds and Summary of funds received and uses of funds.

## **2.5 Non-current and other current assets**

Non-current assets are recognized at acquisition cost under equipment category or inventories. Following their accounting transfer to the beneficiaries on the basis of the unpaid transfer minute, they are recognized as costs (after all documents have been submitted by the vendor), and the Acceptance Certificate has been issued by the ME, according to contract stipulations.

## **2.6 Liabilities**

### *i) Recording the loan*

The loan will be recorded as a use of funds as the withdrawals take place. The entire amount of the loan will not appear as a debt element in the accounting of the Project Management Units.

### *ii) Acquisition of goods and services*

The acquisition of works, goods and services is recorded as assets and expenditures respectively at the time of the payment. The invoices for goods and services not paid at the time of the financial reporting are shown as liability items and are reported as uses of funds at the date of payment.

## **2.7 Funding**

PMU does not record the loan amounts received from the IBRD, this being done at MF level. Please see 2.3 "Project financing".

## **2.8 Use of funds**

Using of funds represents the amounts paid for the purpose of the Project by the PMU, funds pre-financed by the Ministry of Finance.

## **3. Closing date of the Project**

The closing date of the Project was defined as 30 June 2027 with the grace period ended as of 30 October 2027.

## **4. Accounts payable**

As at 31 December 2023 PMU does not have any accounts payable.

## **5. Other current liabilities**

As at 31 December 2023 PMU records EUR 49,358 for other current liabilities related to employees salary payments, other payroll taxes and other taxes.

## 6. Bank accounts used within the project

All the funds are received through the State Treasury Account. The internal payments are done through this account. Until 31 December 2023 we did not have external payments.

During the audited period PMU in relation to the Treasury account used the following treasury account for the reimbursable funds:

Account No.	RO 97 TREZ23A650100650100X RO 66 TREZ23A655000650100X
Depository Bank Branch	State Treasury Treasury Activity and Public Accounting of the Bucharest Municipality
Address	No. 6-8, Splaiul Unirii, 4th District, 040032
Related loan/credit	Loan no. 9236 – RO
Account Currency	RON

*In EUR*

### State treasury account as at 31 December 2023

	IBRD	Total
<b>Opening balance 1 January 2023</b>	-	-
Cash receipts from MF for funds approved by funds providers	702,087	702,087
Other funds received from MF:		
- pre-financing for costs to be supported from IBRD funds 2023	94,344	94,344
- other	-	-
<b>Total cash receipts 2023</b>	<b>796,431</b>	<b>796,431</b>
<b>Total payments from the State Treasury Account</b>	<b>796,431</b>	<b>796,431</b>
<b>Less transfers to letters of credit</b>	-	-
<b>Closing balance 31 December 2023</b>	-	-

## 7. Legislation and fiscal environment in Romania

The legislation and fiscal environment in Romania and their implementation into practice change frequently and are subject to different interpretations by various ministries of the Government. Over recent years, Romania has undergone substantial legal and economic changes.

Therefore, it is not possible to estimate what changes may occur or the resulting effect of any such changes on the Project development or future results of its development.

## 8. Subsequent events

The project's implementation has continued by launching new bidding procedures, according to the Annual Work Plan for 2024.

During 2024, the following were collected: Statements of Expenditure No. 4 of 18 January 2024 in the amount of EUR 94,344 which includes eligible payments made in the period from 1 November 2023 to 31 December 2023, Statements of Expenditure No. 5 of 12 March 2024 in the amount of EUR 228,520 which includes payments made in the period from 1 January 2024 to 29 February 2024.

## 9. Project commitments as at 31 December 2023

Project commitments as at 31 December 2023 are in amount of EUR 2,657,662 (31 December 2022: EUR 1,511,184), and are based on the fees established in the contracts. Information about each commitment is available at the PMU.

## 10. MILESTONES TO TRACK PROJECT PROGRESS

According to Project “Romania Safer, Inclusive and Sustainable Schools Project” (“Project”) financed by IBRD Loan no. 9236-RO the following are related to the milestones to track project implementation progress and financial progress:

- As mentioned in the IBRD Loan no. 9236-RO on *Schedule 2 - Project Execution, Section 1 – Implementation Arrangements, C – Annual Work Plan and Budget*, ME – PMU will prepare and furnish to IBRD the Annual Work Plan in order to be approved not later than 15 October of each year during the implementation of the Project, starting with 2022, a proposed Annual Work Plan and Budget for the next calendar year containing: (a) all activities to be carried out under the Project during the calendar year; and (b) a proposed financing plan for expenditures required for such activities, setting forth the proposed amounts and sources of financing;
- According to the Annual Work Plan and Budget for 2024 approved by the IBRD, the disbursement and spending projections for 2024 are disclosed below:

	<b>Quarter 1</b>	<b>Quarter 2</b>	<b>Quarter 3</b>	<b>Quarter 4</b>
Planned Disbursement (USD mil)	0.40	4.00	8.00	10.00
Total Disbursement rate %	1.40%	5.40%	13.40%	23.40%
Planned Spending (USD mil)	0.60	4.02	8.33	10.50

- The activities to be carried out under the Project during 2024 are referring to Project Management, Component 1 – Integrated Investment in School Infrastructure, Component 2 – Investing in Clever Classrooms, Component 3 – Foundations for Future Investments in Sustainable and Modern Schools Infrastructure.

During the years 2022 and 2023, the status of disbursement is as follows:

	<b>2022</b>	<b>2023</b>	<b>2023</b>	<b>2023</b>	<b>2023</b>
	<b>Quarter 4</b>	<b>Quarter 1</b>	<b>Quarter 2</b>	<b>Quarter 3</b>	<b>Quarter 4</b>
Disbursement (EUR mil)	0.05	0.00	0.00	0.33	0.40
Cumulative Disbursement rate %	0.05%	0.05%	0.05%	0.38%	0.78%