

"Preparation Assistance for a Higher Education Project"
Grant No. TF 019284

Special Purpose Project Financial Statements
for the period from March 20, 2015 to February 15, 2016 and
grace period from February 16, 2016 to June 15, 2016

and independent auditors' report

"PREPARATION ASSISTANCE FOR A HIGHER EDUCATION PROJECT"
GRANT NO. TF 019284

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STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE SPECIAL PURPOSE PROJECT FINANCIAL STATEMENTS FOR THE PERIOD FROM MARCH 20, 2015 TO FEBRUARY 15, 2016 AND GRACE PERIOD FROM FEBRUARY 16, 2016 TO JUNE 15, 2016

The following statement, which should be read in conjunction with the independent auditors' responsibilities stated in the independent auditors' report set out on pages 3-4, is made with a view to distinguish the respective responsibilities of management and those of the independent auditors in relation to the special purpose project financial statements of "Preparation Assistance for a Higher Education Project", financed under Financing Agreements Grant No. TF 019284 (the "Project").

Management is responsible for the preparation of the special purpose project financial statements that present fairly, in all material respects, cash proceeds and disbursements and uses of funds by project components of the Project for the period from March 20, 2015 to February 15, 2016 and grace period from February 16, 2016 to June 15, 2016 in accordance with International Public Sector Accounting Standard "Financial Reporting Under the Cash Basis of Accounting" (the "IPSAS") issued by the International Public Accounting Standards Board of the International Federation of Accountants and the World Bank's Financial Management Sector Board's "Guidelines: Annual Financial Reporting and Auditing for World Bank Financed Activities" (the "WB Guidelines").

In preparing the special purpose project financial statements, management is responsible for:

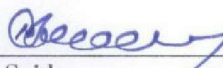
- selecting suitable accounting policies and applying them consistently;
- making judgments and estimates that are reasonable and prudent;
- stating whether IPSAS and WB Guidelines have been followed, subject to any material departures disclosed and explained in the special purpose project financial statements; and
- preparing the special purpose project financial statements on a going concern basis, unless it is inappropriate to presume that the Project will continue its activity for the foreseeable future.

Management is also responsible for:

- designing, implementing and maintaining effective and sound system of internal control and for revealing risks in system of internal control;
- maintaining proper accounting records that disclose, with reasonable accuracy at any time, the financial position of the Project, and which enable them to ensure that the special purpose project financial statements of the Project comply with IPSAS and WB Guidelines;
- compliance with laws and regulations of the Republic of Tajikistan, accounting system of the Project and the requirements of the World Bank;
- taking such steps as are reasonably available to them to safeguard the assets of the Project; and
- detecting and preventing fraud and other irregularities.


The special purpose project financial statements for the period from March 20, 2015 to February 15, 2016 and grace period from February 16, 2016 to June 15, 2016 were approved and authorized for issue on July 22, 2016 by the management of the Project.

On behalf of the Management


N. Said
Minister of Education and Science of
the Republic of Tajikistan

July 22, 2016
Dushanbe, Republic of Tajikistan




N. Amirov
Chief Accountant

July 22, 2016
Dushanbe, Republic of Tajikistan



INDEPENDENT AUDITORS' REPORT

To the Management of "Preparation Assistance for a Higher Education Project" under Ministry of Education of the Republic of Tajikistan and the State Committee on Investments and Government Property Management of the Republic of Tajikistan:

Report on the Special Purpose Project Financial Statements

- [1] We have audited the accompanying special purpose project financial statements of "Preparation Assistance for a Higher Education Project" (the "Project") which comprise the statement of cash proceeds and disbursements and the statement of uses of funds by project components for the period from March 20, 2015 to February 15, 2016 and grace period from February 16, 2016 to June 15, 2016, and a summary of significant accounting policies and other explanatory information (the "special purpose project financial statements").

Management's responsibility for the special purpose project financial statements

- [2] Management is responsible for the preparation and fair presentation of these special purpose project financial statements in accordance with International Public Sector Accounting Standard "Financial Reporting Under the Cash Basis of Accounting" (the "IPSAS") issued by the International Public Accounting Standards Board of the International Federation of Accountants, and the World Bank's Financial Management Sector Board's "Guidelines: Annual Financial Reporting and Auditing for World Bank Financed Activities" (the "WB Guidelines"), and for such internal control as management determines is necessary to enable the preparation of the special purpose project financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

- [3] Our responsibility is to express an opinion on these special purpose project financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the special purpose project financial statements are free from material misstatement.
- [4] An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the special purpose project financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the special purpose project financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the special purpose project 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 entity's internal control. An 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 the special purpose project financial statements.

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Registered in Romania (RN: J40/5434/2003). List of directors can be found at the Company's Registered Office.



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

Opinion

[6] In our opinion, the accompanying special purpose project financial statements present fairly, in all material respects, cash proceeds and disbursements and uses of funds by project components for the period from March 20, 2015 to February 15, 2016 and grace period from February 16, 2016 to June 15, 2016 in accordance with International Public Sector Accounting Standard “Financial Reporting Under the Cash Basis of Accounting” (the “IPSAS”) issued by the International Public Sector Accounting Standards Board of the International Federation of Accountants, and the World Bank’s Financial Management Sector Board’s “Guidelines: Annual Financial Reporting and Auditing for World Bank Financed Activities” (the “WB Guidelines”).

Emphasis of matter

[7] Without qualifying our opinion, we draw attention to the following matters:

a. We draw attention to Note 2 to the special purpose project financial statements which describe the basis of accounting. These special purpose project financial statements were prepared for complying with the appropriate World Bank Guidelines and Grant agreement requirements, and therefore are not intended to be a complete presentation of the “Preparation Assistance for a Higher Education Project” (the “Project”) operations.

b. We draw attention to the statement of uses of funds by project components of special purpose financial statements of the Project. In accordance with article II of the Grant agreement, the Project consist of three parts (A, B and C). The management of the Project did not disclose in the accompanying special purpose project financial statements the uses of funds by project component for the period from March 20, 2015, to February 15, 2016, and grace period from February 16, 2016, to June 15, 2016, as this is not required by the Grant agreement.

Other Matter

[8] The special purpose project financial statements are prepared to assist the Project to comply with the requirements of the World Bank. As a result the special purpose project financial statements may not be suitable for another purpose.

Baker Tilly Klitou & Partners
Baker Tilly Klitou and Partners SRL

Bucharest, Romania

July 22, 2016

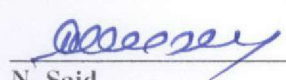


**“PREPARATION ASSISTANCE FOR A HIGHER EDUCATION PROJECT”
GRANT NO. TF 019284**


**STATEMENT OF CASH PROCEEDS AND DISBURSEMENTS
FOR THE PERIOD FROM MARCH 20, 2015 TO FEBRUARY 15, 2016 AND
GRACE PERIOD FROM FEBRUARY 16, 2016 TO JUNE 15, 2016
(in US Dollars)**

	Notes	Grace period from February 16, 2016 to June 15, 2016	Cumulative	For the period from March 20, 2015 to February 15, 2016	Cumulative
Opening balance	4	37,502	-	-	-
Funding sources					
Grant No. TF 019284	6	27,087	173,142	150,015	150,015
Total financing		27,087	173,142	150,015	150,015
Project expenses					
Consultant’s services, training and workshops, including audit	5	55,629	168,142	112,513	112,513
Total project expenses		55,629	168,142	112,513	112,513
Closing balance	4	8,960	8,960	37,502	37,502

On behalf of the Management:


N. Said
Minister of Education and Science of
the Republic of Tajikistan




N. Amirov
Chief Accountant

July 22, 2016
Dushanbe, Republic of Tajikistan

July 22, 2016
Dushanbe, Republic of Tajikistan

The notes on pages 7-11 form an integral part of the special purpose project financial statements.
The Independent Auditors’ Report is on pages 3-4.

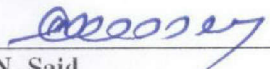
"PREPARATION ASSISTANCE FOR A HIGHER EDUCATION PROJECT"

GRANT NO. TF 019284


STATEMENT OF USES OF FUNDS BY PROJECT COMPONENTS
FOR THE PERIOD FROM MARCH 20, 2015 TO FEBRUARY 15, 2016 AND
GRACE PERIOD FROM FEBRUARY 16, 2016 TO JUNE 15, 2016
(in US Dollars)

	Grace period from February 16, 2016 to June 15, 2016	Cumulative	For the period from March 20, 2015 to February 15, 2016	Cumulative
Part A. Improving the Relevance of Tajikistan's Higher Education System				
Part B. Monitoring Quality in Tajikistan's Higher Education System				
Part C. Project Preparation and Grant Implementation Support	55,629	168,142	112,513	112,513
	<u>55,629</u>	<u>168,142</u>	<u>112,513</u>	<u>112,513</u>

On behalf of the Management:


N. Said
Minister of Education and Science
of the Republic of Tajikistan




N. Amirov
Chief Accountant

July 22, 2016
Dushanbe, Republic of Tajikistan

July 22, 2016
Dushanbe, Republic of Tajikistan

The notes on pages 7-11 form an integral part of the special purpose project financial statements.
The Independent Auditors' Report is on pages 3-4.

"PREPARATION ASSISTANCE FOR A HIGHER EDUCATION PROJECT"

GRANT NO. TF 019284

NOTES TO THE SPECIAL PURPOSE PROJECT FINANCIAL STATEMENTS
FOR THE PERIOD FROM MARCH 20, 2015 TO FEBRUARY 15, 2016 AND
GRACE PERIOD FROM FEBRUARY 16, 2016 TO JUNE 15, 2016
(in US Dollars)

1. GENERAL INFORMATION

According to the Agreement between the Republic of Tajikistan and International Development Association (the "World Bank") acting as an administrator of grant funds under the multi-donor Europe and Central Asia (the "ECA") Capacity Development Trust Fund (the "ECAPDEV") dated March 20, 2015, the World Bank provided a Grant TF No. 019284 in the amount of 236,925 US Dollars to the Republic of Tajikistan.

The Grant was provided for the "Preparation Assistance for a Higher Education Project" (the "Project").

Project purpose

The Grant project aims to help the government design and prepare an effective and feasible higher education Project for Tajikistan. The Project consists of the following parts:

Part A. Improving the Relevance of Tajikistan's Higher Education System

Provision of consultants services for the preparation of an assessment report focused on improving the relevance of higher education to the workforce demands, including, inter alia, the following topics: (1) engaging employers in education policy development and in higher education institutions; (2) encouraging cooperation with local employers on the professional development of faculty; (3) utilizing internships at public and private enterprises to complement the student's classroom experience; (4) updating curriculum to reflect evolving needs of labor market; and (5) stimulating university – industry research collaboration.

Part B. Monitoring Quality in Tajikistan's Higher Education System

Provision of consultant's services, training and workshops for the (1) preparation of a higher education quality assurance assessment report with recommendations; (2) a distance learning assessment with recommendations, and (3) project management support, including development of implementation plans, indicators, cost estimates, and terms of reference.

Part C. Project Preparation and Grant Implementation Support

Provision of consultants services for the preparation of inter alia, (1) social and environmental assessment; (2) procurement plans; (3) results framework; (4) economic analyses; (5) donor support analysis, and (6) audit.

Project management

The project is implemented by the Project Implementation Unit at the Ministry of Education and Science of the Republic of Tajikistan.

Duration of the Project is from March 20, 2015 to February 15, 2016 and grace period from February 16, 2016 to June 15, 2016.

2. PRESENTATION OF THE SPECIAL PURPOSE PROJECT FINANCIAL STATEMENTS

Basis of preparation

These special purpose project financial statements have been prepared in accordance with the International Public Sector Accounting Standard (the "IPSAS") "Financial Reporting under the Cash Basis of Accounting" issued by the Public Sector Committee of the International Federation of Accountants, and incorporate the following principal accounting policies, which have been consistently followed in all material respects and comply with the World Bank's Financial Management Sector Board's "Guidelines: Annual Financial Reporting and Auditing for World Bank Financed Activities" (the "WB Guidelines").

Under the cash basis system income (or expenditure) is recognized when cash is received (or paid) irrespective of when goods or services are received.

The Project's approved budget disclosed by categories of expenses is not publicly available and as such comparison of budget and actual amounts is not presented.

These special purpose project financial statements consist of:

- Statement of cash proceeds and disbursements;
- Statement of uses of funds by project components;
- Notes to the special purpose project financial statements, including short description of main statements of accounting policy and other descriptive notes.

The reporting currency of these special purpose project financial statements is US dollars (the "USD").

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Cash basis of accounting

Special purpose project financial statements are prepared on a cash basis of accounting. The cash basis of accounting recognizes transactions and events only when cash (including cash equivalents) is received or paid by the entity. Special purpose project financial statements prepared under the cash basis provide readers with information about the sources of cash raised during the period, the purposes for which cash was used and the cash balances at the reporting date. The measurement focus in the special purpose project financial statements is balances of cash and changes therein.

Foreign currency

Operations in foreign currency initially are counted in functional currency by the official currency exchange rate settled by the National Bank of Tajikistan (the "NBT") on a date of operation.

All payments made in local currency are translated into USD at the official exchange rate defined by National Bank of Tajikistan, at the date of transaction.

Monetary assets and liabilities expressed in foreign currency are converted to functional currency at official exchange rate on a date settled by the NBT.

All foreign exchange differences resulted from maturity or recounting are included in statement of cash proceeds and disbursements.

Non-monetary items are valued according to their historic cost in foreign currency, which are recalculated on rates of the initial operation date.

Cash and cash equivalents

Cash and cash equivalents include cash on hand and due from banks, which can be converted to the corresponding amount of cash in the short term.

Taxes

Calculation and payment of personal income tax and social security contributions from income of local staff and consultants is made in accordance with the requirements and rates of the Tax Code of the Republic of Tajikistan.

Project expenses

The expenses are recorded in the period when they were actually paid.

Sources of funds

The funds were provided by the World Bank to the Project by replenishment of special account or through direct payment to the end supplier of goods and/or services.

4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents as at June 15, 2016 and February 15, 2016 comprise:

	June 15, 2016	February 15, 2016
Special account in foreign currency	3,960	37,492
Special account in local currency	-	10
Escrow account in the CJSC "Spitamén Bank"	5,000	-
	<u>8,960</u>	<u>37,502</u>

The cash balance as at June 15, 2016 in amount of 5,000 US dollars was temporarily transferred to the escrow account in the CJSC "Spitamén Bank" to cover subsequent expenses associated to liabilities on completing the Project (Note 10).

5. CUMULATIVE PROJECT EXPENDITURES

Project expenditures by components are presented in the statement of funds by project components. Project expenditures on major categories are presented in the statement of cash proceeds and disbursements. Breakdown of project expenses by nature is presented as follows:

	Grace period from February 16, 2016 to June 15, 2016	For the period from March 20, 2015 to February 15, 2016
Services provided	53,142	92,298
Payroll and related taxes	2,000	8,042
Communication services	410	-
Bank services	77	559
Business trip expenses	-	10,890
Office needs	-	724
	<u>55,629</u>	<u>112,513</u>

6. GRANTS RECEIVED

The grants received were presented by the following reimbursement methods:

Financing method / sources of financing:	Grace period from February 16, 2016 to June 15, 2016	For the period from March 20, 2015 to February 15, 2016	Total:
Advances	27,087	150,015	177,102
	<u>27,087</u>	<u>150,015</u>	<u>177,102</u>

7. FINANCIAL POSITION

Financial position as at June 15, 2016 and February 15, 2016 comprise:

	June 15, 2016	February 15, 2016
ASSETS AND EXPENDITURES		
Cash and cash equivalents	8,960	37,502
Cumulative project expenditures	168,142	112,513
TOTAL ASSETS AND EXPENDITURES	<u>177,102</u>	<u>150,015</u>
FINANCING		
Grants received	177,102	150,015
TOTAL FINANCING	<u>177,102</u>	<u>150,015</u>

8. WITHDRAWAL APPLICATIONS

Withdrawal applications for the period from March 20, 2015 to February 15, 2016 and grace period from February 16, 2016 to June 15, 2016 comprise:

Sources of financing	Applications	Date	Advances	Total
For the period from March 20, 2015 to February 15, 2016				
TF 019284				
	1	September 22, 2015	70,000	70,000
	2	December 3, 2015	44,246	44,246
	3	January 5, 2016	35,769	35,769
			<u>150,015</u>	<u>150,015</u>
Grace period from February 16, 2016 to June 15, 2016				
TF 019284				
	4	February 19, 2016	27,087	27,087
			<u>27,087</u>	<u>27,087</u>
Total			<u>177,102</u>	<u>177,102</u>

9. SPECIAL ACCOUNT

Special account for the period from March 20, 2015 to February 15, 2016 and grace period from February 16, 2016 to June 15, 2016 comprise:

<i>Special accounts</i>	Grant No. TF 019284	
<i>Currency</i>	US Dollars	
<i>Bank account</i>	20206840280800000268	
<i>Bank</i>	CJSC "Spitamem Bank"	
<i>Bank's location</i>	70 Rudaki str., Dushanbe, 734001, Tajikistan	
Description	US Dollars	Total
Balance as at March 20, 2015	-	-
Advances received	150,015	150,015
Total funds received to a special account	<u>150,015</u>	<u>150,015</u>
The amount of eligible expenditures paid	112,513	112,513
Transfers between accounts	10	10
Balance as at February 15, 2016	<u>37,492</u>	<u>37,492</u>
Advances received	27,087	27,087
Transfers between accounts	10	10
Total funds received to a special account	<u>27,097</u>	<u>27,097</u>
The amount of eligible expenditures paid	55,629	55,629
Transfers between accounts	5,000	5,000
Balance as at June 15, 2016	<u>3,960</u>	<u>3,960</u>

10. COMMITMENTS

In the normal course of activities, the Project concludes agreements with suppliers of goods and services in accordance with the established budget and procurement plan. As at June 15, 2016 the Project had commitments for covering audit service expenses in amount of 5,000 US dollars to Baker Tilly Klitou and Partners SRL.

11. GOING CONCERN

The period of duration of the Project was completed on February 15, 2016 and grace period on June 15, 2016.

12. LEGAL CASES

There were no any legal claims related to the Project.

13. EVENTS AFTER THE REPORTING DATE

On June 17, 2016 the Project reimbursed to the World Bank the funds in the amount of 3,960 US dollars.

As at the date of issue of these financial statements no other significant events or transactions happened, which should be disclosed in the special purpose project financial statements, except for the events or transactions described above.