"The Fourth Global Partnership for Education Project"
Grant No. TF015134

Special purpose project financial statements
for the period from January 1, 2017 to September 30, 2017 and
the grace period from October 1, 2017 to January 31, 2018

and independent auditors' report
# TABLE OF CONTENTS

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>STATEMENT OF MANAGEMENT’S RESPONSIBILITIES FOR THE PREPARATION AND</td>
<td>2</td>
</tr>
<tr>
<td>APPROVAL OF THE SPECIAL PURPOSE PROJECT FINANCIAL STATEMENTS FOR THE</td>
<td></td>
</tr>
<tr>
<td>PERIOD FROM JANUARY 1, 2017 TO SEPTEMBER 30, 2017 AND THE GRACE PERIOD</td>
<td></td>
</tr>
<tr>
<td>FROM OCTOBER 1, 2017 TO JANUARY 31, 2018</td>
<td></td>
</tr>
<tr>
<td>INDEPENDENT AUDITORS’ REPORT</td>
<td>3-5</td>
</tr>
<tr>
<td>SPECIAL PURPOSE PROJECT FINANCIAL STATEMENTS FOR THE PERIOD FROM</td>
<td></td>
</tr>
<tr>
<td>JANUARY 1, 2017 TO SEPTEMBER 30, 2017 AND THE GRACE PERIOD FROM</td>
<td></td>
</tr>
<tr>
<td>OCTOBER 1, 2017 TO JANUARY 31, 2018:</td>
<td></td>
</tr>
<tr>
<td>Statement of cash proceeds and disbursements</td>
<td>6-7</td>
</tr>
<tr>
<td>Statement of uses of funds by project components</td>
<td>8</td>
</tr>
<tr>
<td>Notes to the special purpose project financial statements</td>
<td>9-16</td>
</tr>
</tbody>
</table>
STATEMENT OF MANAGEMENT’S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE SPECIAL PURPOSE PROJECT FINANCIAL STATEMENTS FOR THE PERIOD FROM JANUARY 1, 2017 TO SEPTEMBER 30, 2017 AND THE GRACE PERIOD FROM OCTOBER 1, 2017 TO JANUARY 31, 2018

The following statement, which should be read in conjunction with the independent auditors’ responsibilities stated in the independent auditors’ report set out on pages 3-5, 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 the Project “The Fourth Global Partnership for Education Project”, Grant No. TF015134 (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 January 1, 2017 to September 30, 2017 and the grace period from October 1, 2017 to January 31, 2018 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 January 1, 2017 to September 30, 2017 and the grace period from October 1, 2017 to January 31, 2018 were approved and authorized for issue on February 8, 2018 by the management of the Project.

On behalf of the Management:

Nuriddin Said
Minister of Education and Science of the Republic of Tajikistan
February 8, 2018
Dushanbe, Republic of Tajikistan

N. Amirov
Chief Accountant

February 8, 2018
Dushanbe, Republic of Tajikistan
INDEPENDENT AUDITORS’ REPORT

To the management of the Project “The Fourth Global Partnership for Education Project” under the Ministry of Education and Science 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

Opinion

[1] We have audited the special purpose project financial statements of the Project “The Fourth Global Partnership for 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 January 1, 2017 to September 30, 2017 and the grace period from October 1, 2017 to January 31, 2018, and a summary of significant accounting policies and other explanatory information (the “special purpose project financial statements”).

[2] 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 of the Project for the period from January 1, 2017 to September 30, 2017 and the grace period from October 1, 2017 to January 31, 2018 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”).

Basis for opinion

[3] We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor’s responsibilities for the audit of the special purpose project financial statements section of our report. We are independent of the Project in accordance with the International Ethics Standards Board for Accountants’ Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the special purpose project financial statements in the Republic of Tajikistan, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.
Emphasis of matter

[4] Without qualifying our opinion, 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.

Other matter

[5] 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.

Responsibilities of management and those charged with governance for the special purpose project financial statements

[6] Management is responsible for the preparation and fair presentation of the 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.

Auditor’s responsibilities for the audit of the special purpose project financial statements

[7] Our objectives are to obtain reasonable assurance about whether the special purpose 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 the special purpose project financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the special purpose 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’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 special purpose 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 special purpose project financial statements, including the disclosures, and whether the special purpose project financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

[8] We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

[9] We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Baker Tilly Klitou and Partners SRL

Bucharest, Romania

February 8, 2018
"THE FOURTH GLOBAL PARTNERSHIP FOR EDUCATION PROJECT"
GRANT NO. TF015134

STATEMENT OF CASH PROCEEDS AND DISBURSEMENTS
FOR THE PERIOD FROM JANUARY 1, 2017 TO SEPTEMBER 30, 2017 AND
THE GRACE PERIOD FROM OCTOBER 1, 2017 TO JANUARY 31, 2018
(in US Dollars)

<table>
<thead>
<tr>
<th>Notes</th>
<th>The grace period from October 1, 2017 to January 31, 2018</th>
<th>Cumulative</th>
<th>For the period from January 1, 2017 to September 30, 2017</th>
<th>Cumulative</th>
<th>For the year ended December 31, 2016</th>
<th>Cumulative</th>
</tr>
</thead>
<tbody>
<tr>
<td>Opening balance</td>
<td>4</td>
<td>34,276</td>
<td>-</td>
<td>611,221</td>
<td>-</td>
<td>14,294</td>
</tr>
<tr>
<td>Funding sources</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Grant No. TF015134</td>
<td>6</td>
<td>310,164</td>
<td>16,200,000</td>
<td>1,602,194</td>
<td>15,889,836</td>
<td>8,093,054</td>
</tr>
<tr>
<td>Total funds received</td>
<td></td>
<td>310,164</td>
<td>16,200,000</td>
<td>1,602,194</td>
<td>15,889,836</td>
<td>8,093,054</td>
</tr>
<tr>
<td>Other income</td>
<td></td>
<td></td>
<td>-</td>
<td>14,233</td>
<td>276</td>
<td>14,233</td>
</tr>
<tr>
<td>Total receipts</td>
<td></td>
<td>310,164</td>
<td>16,214,233</td>
<td>1,602,470</td>
<td>15,904,069</td>
<td>8,095,741</td>
</tr>
<tr>
<td>Project expenses</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Goods, non-consulting services, consultants' services, incremental operating costs and training</td>
<td>5</td>
<td>198,749</td>
<td>9,291,361</td>
<td>1,160,933</td>
<td>9,092,612</td>
<td>4,417,901</td>
</tr>
<tr>
<td>Works</td>
<td>5</td>
<td>140,496</td>
<td>6,904,757</td>
<td>1,017,824</td>
<td>6,764,261</td>
<td>3,078,994</td>
</tr>
<tr>
<td>Total project expenses</td>
<td></td>
<td>339,245</td>
<td>16,196,118</td>
<td>2,178,757</td>
<td>15,856,873</td>
<td>7,496,895</td>
</tr>
</tbody>
</table>
"THE FOURTH GLOBAL PARTNERSHIP FOR EDUCATION PROJECT"
GRANT NO. TF015134

STATEMENT OF CASH PROCEEDS AND DISBURSEMENTS
FOR THE PERIOD FROM JANUARY 1, 2017 TO SEPTEMBER 30, 2017 AND
THE GRACE PERIOD FROM OCTOBER 1, 2017 TO JANUARY 31, 2018 (CONTINUED)
(in US Dollars)

<table>
<thead>
<tr>
<th>Notes</th>
<th>The grace period from October 1, 2017 to January 31, 2018</th>
<th>Cumulative</th>
<th>For the period from January 1, 2017 to September 30, 2017</th>
<th>Cumulative</th>
<th>For the year ended December 31, 2016</th>
<th>Cumulative</th>
</tr>
</thead>
<tbody>
<tr>
<td>Other expenses</td>
<td>-</td>
<td>3,059</td>
<td>-</td>
<td>3,059</td>
<td>-</td>
<td>3,059</td>
</tr>
<tr>
<td>Foreign exchange rates differences</td>
<td>5</td>
<td>9,866</td>
<td>658</td>
<td>9,861</td>
<td>1,919</td>
<td>9,203</td>
</tr>
<tr>
<td>Closing balance</td>
<td>4</td>
<td>5,190</td>
<td>5,190</td>
<td>34,276</td>
<td>34,276</td>
<td>611,221</td>
</tr>
</tbody>
</table>

On behalf of the Management:

Nuriddin Said  
Minister of Education and Science of the Republic of Tajikistan

N. Amirov  
Chief Accountant

February 8, 2018  
Dushanbe, Republic of Tajikistan

The notes on pages 8-16 form an integral part of the special purpose project financial statements.  
The independent auditors’ report is on pages 3-5.
"THE FOURTH GLOBAL PARTNERSHIP FOR EDUCATION PROJECT"
GRANT NO. TF015134

STATEMENT OF USES OF FUNDS BY PROJECT COMPONENTS
FOR THE PERIOD FROM JANUARY 1, 2017 TO SEPTEMBER 30, 2017 AND
THE GRACE PERIOD FROM OCTOBER 1, 2017 TO JANUARY 31, 2018
(in US Dollars)

<table>
<thead>
<tr>
<th>Component</th>
<th>The grace period from October 1, 2017 to January 31, 2018</th>
<th>Cumulative</th>
<th>For the period from January 1, 2017 to September 30, 2017</th>
<th>Cumulative</th>
<th>For the year ended December 31, 2016</th>
<th>Cumulative</th>
</tr>
</thead>
<tbody>
<tr>
<td>Component 1: Increasing access to quality early childhood education programs</td>
<td>-</td>
<td>2,158,119</td>
<td>8,098</td>
<td>2,158,119</td>
<td>477,738</td>
<td>2,150,021</td>
</tr>
<tr>
<td>Component 2: Enhancing quality of education</td>
<td>24,786</td>
<td>3,620,342</td>
<td>531,841</td>
<td>3,595,556</td>
<td>2,401,038</td>
<td>3,063,715</td>
</tr>
<tr>
<td>Component 3: Improving child-friendly learning environments</td>
<td>176,013</td>
<td>7,879,271</td>
<td>1,230,785</td>
<td>7,703,258</td>
<td>3,805,030</td>
<td>6,472,473</td>
</tr>
<tr>
<td>Component 4: Strengthening system capacity</td>
<td>138,446</td>
<td>2,538,386</td>
<td>408,033</td>
<td>2,399,940</td>
<td>813,089</td>
<td>1,991,907</td>
</tr>
<tr>
<td>Total</td>
<td>339,245</td>
<td>16,196,118</td>
<td>2,178,757</td>
<td>15,856,873</td>
<td>7,496,895</td>
<td>13,678,116</td>
</tr>
</tbody>
</table>

On behalf of the Management:

Nuriddin Said
Minister of Education and Science of the Republic of Tajikistan

February 8, 2018
Dushanbe, Republic of Tajikistan

N. Amirov
Chief Accountant

February 8, 2018
Dushanbe, Republic of Tajikistan

The notes on pages 8-16 form an integral part of the special purpose project financial statements. The independent auditors’ report is on pages 3-5.
"THE FOURTH GLOBAL PARTNERSHIP FOR EDUCATION PROJECT"

GRANT NO. TF015134

NOTES TO THE SPECIAL PURPOSE PROJECT FINANCIAL STATEMENTS
FOR THE PERIOD FROM JANUARY 1, 2017 TO SEPTEMBER 30, 2017 AND
THE GRACE PERIOD FROM OCTOBER 1, 2017 TO JANUARY 31, 2018

( in US Dollars)

1. GENERAL INFORMATION

According to the Agreement between the Republic of Tajikistan and International Bank for Reconstruction and Development/ International Development Association (the "IDA") dated October 1, 2013, the World Bank provided a Grant No. TF015134 in the amount of 16,200,000 US dollars to the Republic of Tajikistan.

The Grant was provided for implementation of Project "The Fourth Global Partnership for Education Project" (the "Project").

Project purpose

The objective of the Project is to contribute to improving the learning conditions in preschool and general education.

The Project consists of the following 4 components:

Component I: Increasing access to quality early childhood education programs;
Component II: Enhancing quality of education;
Component III: Improving child-friendly learning environments;
Component IV: Strengthening system capacity.

Component I: Increasing access to quality early childhood education programs.

a) Performing a comprehensive pre-school sector analyses, including an analyses of the structure and organization of the sector, preschool mapping, financial analyses, an evaluation of the quality of existing preschool and the alternative programs, and a review of the existing legal and regulatory framework, through the provision of the technical assistance;
b) Establishing or reinforcing Early Learning Centers (the “ELCs”) and existing state kindergartens, including the training and mentoring of teachers and the provision of package of essential Teaching – Learning Materials (the “TLMs”) and furniture;
c) Mobilizing beneficiary communities to establish an ELC or to reinforce existing ELCs, including support to the Rayon Education Departments (the “REDS”), and local stakeholders to raise awareness about early childhood education, identification of a physical space for locating the ELC, negotiation of an agreement among local stakeholders to cover the recruitment of teacher to work in the ELC, and support for improving legal framework for establishment and operation of ELCs;
d) Strengthening capacity in the Republican Institute for In-services Teacher Training (the “RIITT”) to deliver training courses for pre-school teachers pursuant to the new program.

Component II: Enhancing quality of education.

Subcomponent 2.1: Upgrading primary education curriculum and pedagogy by:

a) Upgrading primary curriculum;
b) Raising awareness about the education content modernization, through a communications campaign;
c) Strengthening capacity in the RIITT to deliver training courses for primary teachers pursuant to the new subject standards and programs;
d) Training pedagogical staff in the primary school;
e) Procuring and distributing a pack of essential TLMs for primary grades;
f) Printing and distributing teacher methodological guidance manuals to schools;
g) Evaluating the effects on teaching-learning practices of the teaching training, TLMs and revised education program.

Subcomponent 2.2: Upgrading primary education curriculum and pedagogy by:

a) Upgrading curriculum package for Mathematics and Tajik language subjects, and other subjects, subject to availability of funding and agreement of the World Bank;
b) Piloting the revised programs for selected subjects, including technical assistance, training participating teachers, monitoring visits, periodic seminars with participants, and collecting and consolidating findings;
c) Strengthening capacity in the RIITT to deliver training courses for teachers of the selected subjects pursuant to the new standards and programs;
d) Improving the guidelines on the textbook development and review in the context of competency-based curricula: and training Academy of Education staff, textbook authors and evaluators on the development and appraisal of textbooks.

Subcomponent 2.3: Promoting inclusive education by:

a) Adjusting school buildings to the needs of children with physical disabilities by upgrading schools with pathways, accessible latrines and ramps as needed;
b) Distributing TLMs to support teachers in adopting the curriculum to suit the individual needs of students with disabilities.


Subcomponent 3.1: Increasing access to child-friendly schools by:

a) Constructing and rehabilitating of school buildings and other education institutions selected upon agreement with the World Bank in accordance with the criteria set forth in the Project Operations Manual;
b) Undertaking a survey at schools targeted for civil work to gather key education indicators.

Subcomponent 3.2: Provision of supplies to develop child-friendly schools by:

Purchasing and distributing furniture to schools and other education institutions identified under this Grant including those affected by the works in component (3.1).

Component IV: Strengthening system capacity.

Subcomponent 4.1: Management capacity strengthening:

Providing Training and other technical assistance, particularly in the areas of fiduciary controls, contracts management, date analyses and strategic planning.

Subcomponent 4.2: Directors training:

a) Improvement of the modules for directors training;
b) Training management and pedagogical leadership, and training directors of state kindergartens in financial management.
Subcomponent 4.3: Per capita financing (PCF):

a) Support to PCF implementation in general education;
b) Provision of technical assistance for extending PCF scheme to all state kindergartens in two phases, by revising the legal and regulatory framework and administrative structure, and distributing legal and regulatory documentation and by supporting the MOE, RED.

Subcomponent 4.4: Expanding Education Management Information System

a) Support to EMIS implementation in general education;
b) Expanding the EMIS to pre-school, vocational training and higher education sectors and providing technical assistance, as well as publishing questionnaires and statistical digests produced by the Educational Management and Information System Department.

Subcomponent 4.5: Project Management, Monitoring and Evaluation

a) Providing consultants’ services, including financial audits, goods, training and Incremental Operating Costs to support activities of the MOE relevant to project management, implementation, monitoring and evaluation;
b) Providing technical assistance to design civil works and cover cost of civil works supervision under Subcomponents 2.3 and 3.1;
c) Supporting Third Party Quality Assurance technical assistance for the supervision of civil works under Subcomponents 2.3 and 3.1.

Project management

The Project is implemented by the Project Implementation Unit (the “PIU”) at the Ministry of Education and Science of the Republic of Tajikistan.

Duration of the Project is from October 1, 2013 to September 30, 2017 and the grace period from October 1 to January 31, 2018.

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 or provided.

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 Project. 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 translation

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 US dollars 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 are actually paid.

Sources of funds

The funds are 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 January 31, 2018, September 30, 2017 and December 31, 2016 are presented as follows:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Special account in foreign currency</td>
<td>-</td>
<td>23,658</td>
<td>604,259</td>
</tr>
<tr>
<td>Transit account in national currency</td>
<td>-</td>
<td>3,048</td>
<td>128</td>
</tr>
<tr>
<td>Escrow account in CJSC “Spitamen Bank”</td>
<td>5,190</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Cash on hands in foreign currency</td>
<td>-</td>
<td>-</td>
<td>666</td>
</tr>
<tr>
<td>Cash on hands in national currency</td>
<td>-</td>
<td>681</td>
<td>272</td>
</tr>
<tr>
<td>Advances paid to employees in national currency</td>
<td>-</td>
<td>6,889</td>
<td>5,896</td>
</tr>
<tr>
<td></td>
<td>5,190</td>
<td>34,276</td>
<td>611,221</td>
</tr>
</tbody>
</table>

The cash balance as at January 31, 2018 in amount of 5,190 US dollars was temporarily transferred to the escrow account in CJSC “Spitamen Bank” to cover subsequent expenses associated with 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 categories and nature is presented as follows:
Goods, non-consulting services, consultants’ services, incremental operating costs and training

<table>
<thead>
<tr>
<th></th>
<th>The grace period from October 1, 2017 to January 31, 2018</th>
<th>Cumulative</th>
<th>For the period from January 1, 2017 to September 30, 2017</th>
<th>Cumulative</th>
<th>For the year ended December 31, 2016</th>
<th>Cumulative</th>
</tr>
</thead>
<tbody>
<tr>
<td>Goods</td>
<td>-</td>
<td>2,923,469</td>
<td>477,767</td>
<td>2,923,469</td>
<td>1,023,952</td>
<td>2,445,702</td>
</tr>
<tr>
<td>Services</td>
<td>63,738</td>
<td>2,734,587</td>
<td>214,850</td>
<td>2,670,849</td>
<td>1,618,150</td>
<td>2,555,999</td>
</tr>
<tr>
<td>Payroll and related taxes</td>
<td>3,891</td>
<td>1,672,182</td>
<td>228,776</td>
<td>1,668,291</td>
<td>663,628</td>
<td>1,439,515</td>
</tr>
<tr>
<td>Construction</td>
<td>38,358</td>
<td>1,493,200</td>
<td>142,216</td>
<td>1,454,842</td>
<td>997,236</td>
<td>1,312,626</td>
</tr>
<tr>
<td>Office expenses</td>
<td>77,793</td>
<td>129,790</td>
<td>15,610</td>
<td>51,997</td>
<td>11,251</td>
<td>36,387</td>
</tr>
<tr>
<td>Transportation</td>
<td>628</td>
<td>128,857</td>
<td>32,564</td>
<td>128,229</td>
<td>37,879</td>
<td>95,665</td>
</tr>
<tr>
<td>Business trips</td>
<td>86</td>
<td>73,525</td>
<td>15,119</td>
<td>73,439</td>
<td>27,125</td>
<td>58,320</td>
</tr>
<tr>
<td>Stationery</td>
<td>-</td>
<td>39,964</td>
<td>11,034</td>
<td>39,964</td>
<td>16,194</td>
<td>28,930</td>
</tr>
<tr>
<td>Audit</td>
<td>10,333</td>
<td>30,999</td>
<td>-</td>
<td>20,666</td>
<td>10,333</td>
<td>20,666</td>
</tr>
<tr>
<td>Communication service</td>
<td>3,857</td>
<td>28,691</td>
<td>10,615</td>
<td>24,834</td>
<td>4,751</td>
<td>14,219</td>
</tr>
<tr>
<td>Bank services</td>
<td>65</td>
<td>6,341</td>
<td>969</td>
<td>6,276</td>
<td>2,698</td>
<td>5,307</td>
</tr>
<tr>
<td>Utilities</td>
<td>-</td>
<td>6,258</td>
<td>-</td>
<td>6,258</td>
<td>-</td>
<td>6,258</td>
</tr>
<tr>
<td>Other</td>
<td>-</td>
<td>23,498</td>
<td>11,413</td>
<td>23,498</td>
<td>4,704</td>
<td>12,085</td>
</tr>
<tr>
<td></td>
<td></td>
<td>198,749</td>
<td>9,291,361</td>
<td>1,160,933</td>
<td>9,092,612</td>
<td>4,417,901</td>
</tr>
</tbody>
</table>

Works

<table>
<thead>
<tr>
<th></th>
<th>The grace period from October 1, 2017 to January 31, 2018</th>
<th>Cumulative</th>
<th>For the period from January 1, 2017 to September 30, 2017</th>
<th>Cumulative</th>
<th>For the year ended December 31, 2016</th>
<th>Cumulative</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reconstruction and restoration of education facilities</td>
<td>140,496</td>
<td>6,904,757</td>
<td>1,017,824</td>
<td>6,764,261</td>
<td>3,078,994</td>
<td>5,746,437</td>
</tr>
<tr>
<td></td>
<td>140,496</td>
<td>6,904,757</td>
<td>1,017,824</td>
<td>6,764,261</td>
<td>3,078,994</td>
<td>5,746,437</td>
</tr>
</tbody>
</table>
6. FUNDS RECEIVED

The funds received were presented by the following financing methods:

<table>
<thead>
<tr>
<th>Financing method</th>
<th>The grace period from October 1, 2017 to January 31, 2018</th>
<th>Cumulative</th>
<th>For the period from January 1, 2017 to September 30, 2017</th>
<th>Cumulative</th>
<th>For the year ended December 31, 2016</th>
<th>Cumulative</th>
</tr>
</thead>
<tbody>
<tr>
<td>Advances</td>
<td>310,164</td>
<td>15,357,247</td>
<td>1,602,194</td>
<td>15,047,083</td>
<td>8,093,054</td>
<td>13,444,889</td>
</tr>
<tr>
<td>Direct payment</td>
<td></td>
<td>842,753</td>
<td></td>
<td>842,753</td>
<td>-</td>
<td>842,753</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>310,164</strong></td>
<td><strong>16,200,000</strong></td>
<td><strong>1,602,194</strong></td>
<td><strong>15,889,836</strong></td>
<td><strong>8,093,054</strong></td>
<td><strong>14,287,642</strong></td>
</tr>
</tbody>
</table>

7. FINANCIAL POSITION

Financial position as at January 31, 2018, September 30, 2017 and December 31, 2016 is presented as follows:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents</td>
<td>5,190</td>
<td>34,276</td>
<td>611,221</td>
</tr>
<tr>
<td>Cumulative project expenditures</td>
<td>16,196,118</td>
<td>15,856,873</td>
<td>13,678,116</td>
</tr>
<tr>
<td>Other expenses</td>
<td>12,925</td>
<td>12,920</td>
<td>12,262</td>
</tr>
<tr>
<td><strong>Total assets and expenditures</strong></td>
<td><strong>16,214,233</strong></td>
<td><strong>15,904,069</strong></td>
<td><strong>14,301,599</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>FINANCING</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Funds received</td>
<td>16,200,000</td>
<td>15,889,836</td>
<td>14,287,642</td>
</tr>
<tr>
<td>Other income</td>
<td>14,233</td>
<td>14,233</td>
<td>13,957</td>
</tr>
<tr>
<td><strong>Total financing</strong></td>
<td><strong>16,214,233</strong></td>
<td><strong>15,904,069</strong></td>
<td><strong>14,301,599</strong></td>
</tr>
</tbody>
</table>
8. WITHDRAWAL APPLICATIONS

Withdrawal applications for the period from January 1, 2017 to September 30, 2017 and the grace period from October 1, 2017 to January 31, 2018 are presented as follows:

For the period from January 1, 2017 to September 30, 2017

<table>
<thead>
<tr>
<th>Sources of financing</th>
<th>Application</th>
<th>Date</th>
<th>Advance</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Grant No. TF017319-TJ</td>
<td>30</td>
<td>February 1, 2017</td>
<td>474,127</td>
<td>474,127</td>
</tr>
<tr>
<td></td>
<td>31</td>
<td>April 24, 2017</td>
<td>654,058</td>
<td>654,058</td>
</tr>
<tr>
<td></td>
<td>32</td>
<td>July 26, 2017</td>
<td>474,009</td>
<td>474,009</td>
</tr>
</tbody>
</table>

| Total                | 1,602,194   | 1,602,194       |

For the grace period from October 1, 2017 to January 31, 2018

<table>
<thead>
<tr>
<th>Sources of financing</th>
<th>Application</th>
<th>Date</th>
<th>Advance</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Grant No. TF017319-TJ</td>
<td>33</td>
<td>October 2, 2017</td>
<td>258,669</td>
<td>258,669</td>
</tr>
<tr>
<td></td>
<td>34</td>
<td>November 6, 2017</td>
<td>51,495</td>
<td>51,495</td>
</tr>
</tbody>
</table>

| Total                | 310,164     | 310,164         |

9. SPECIAL ACCOUNT

Special account for the period from January 1, 2017 to September 30, 2017 and the grace period from October 1, 2017 to January 31, 2018 is presented as follows:

- **Bank**: CJSC “Spitamen Bank”
- **Currency**: US Dollars
- **Bank account**: 2020684077000000167
- **Bank’s location**: 70 Rudaki str., Dushanbe, 734001, Tajikistan

**Balance as at January 1, 2017**: 604,259

- Advances received: 1,602,194

**Total funds received to a special account**: 1,602,194

- Expenditures paid: 26,799
- Transfers between accounts: 2,155,996

**Balance as at September 30, 2017**: 23,658

- Advances received: 310,164

**Total funds received to a special account**: 310,164

- Expenditures paid: 10,355
- Transfers between accounts: 323,467

**Balance as at January 31, 2018**: 15
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 January 31, 2018 the Project had commitments for covering audit service expenses in amount of 5,150 US dollars to Baker Tilly Klitou and Partners SRL.

11. GOING CONCERN

The period of duration of the Project was completed on September 30, 2017 and the grace period on January 31, 2018.

12. LEGAL CASES

There were no any legal claims related to the Project.

13. EVENTS AFTER THE REPORTING DATE

As at the date of issue of the special purpose project financial statements no significant events or transactions occurred which should be disclosed in the special purpose project financial statements.