

Project's Financial Statements and
Independent Auditors' Report

Ministry of Finance of the Republic of Macedonia

"Municipal Services Improvement Project" - International
Bank for Reconstruction and Development
Loan number 7699-MK and Loan number 8158-MK

31 December 2013

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Management Responsibility

The accompanying financial statements comprising of Statement of Sources and Uses of Funds, Statement of Uses of Funds by Project Activity, Statement of Unit of Output by Project Activity, Statement of Breakdown of Loans and Grants, Statements of Withdrawals (SOE's), Designated Account Statements and related disclosure Notes (further referred as to "Project's Financial Statements"), of the Ministry of Finance of the Republic of Macedonia (MoF), "Municipal Services Improvement Project" (further referred to as the "Project"), financed under International Bank for Reconstruction and Development Loan (IBRD) numbered 7699-MK ("Original loan") and Loan numbered 8158-MK ("Additional financing") as at and for the year ended 31 December 2013 on pages 4 to 37, are the responsibility of, and have been approved by the Project's management.

The accompanying Project's financial statements have been compiled by the Project's management, for the purposes of reporting to the MoF and the International Bank for Reconstruction and Development, in conformity with the related requirements of the World Bank's financial reporting guidelines and in compliance with the relevant provisions set out in the Loan Agreement numbered 7699-MK dated 29 June 2009, Disbursement letter, dated 29 June 2009 and Loan Agreement numbered 8158-MK dated 7 June 2012.

Project's management, in furtherance of the integrity and objectivity of the Project's financial statements, has developed and maintained an internal control structure, including the appropriate control environment, accounting systems and control procedures. Project's management believes that internal controls provide assurance that financial records are reliable and form a proper basis for the preparation of financial statements, and that assets are properly accounted for and safeguarded. There are, however, inherent limitations that should be recognized in considering the assurances provided by the internal control structure. The internal control process also includes management's communication to employees of policies, which govern ethical business conduct.

Grant Thornton, Independent Auditors, have been engaged to audit these Project's financial statements in accordance with the International Standards on Auditing. Their report is included on pages 2 and 3.



Malgorzata Markiewicz-Bogov,

Project Director

9 June 2014



Independent Auditors' Report

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To the Management of the Project

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We have audited the accompanying financial statements of the Ministry of Finance of the Republic of Macedonia (MoF), "Municipal Services Improvement Project" (further referred to as the "Project"), financed under International Bank for Reconstruction and Development, Loan numbered 7699-MK and Loan numbered 8158-MK comprising of the Statement of Sources and Uses of Funds, Statement of Uses of Funds by Project Activity, Statement of Unit of Output by Project Activity, Statement of Breakdown of Loans and Grants, Statement of Withdrawals, Designated Account Statements and related disclosure Notes (further referred as to "Project's Financial Statements") as at and for the year ended 31 December 2013 and included on pages 4 to 37.

Management's responsibility for financial statements

These Project's financial statements are compiled for the purposes of reporting to the MoF and the International Bank of Reconstruction and Development (IBRD) management, and are the responsibility of the management of the Project. The Projects' management is responsible for developing and maintaining such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

The Project's Management policy is to prepare the accompanying Project's financial statements on the cash receipts and disbursement basis in conformity with the related requirements of the World Bank's financial reporting guidelines and in compliance with the relevant provisions set out in the Loan Agreement numbered 7699-MK dated 29 June 2009, and the Disbursement letter, dated 29 June 2009 and Loan Agreement numbered 8158-MK dated 7 June 2012. On this basis, cash receipts are recognized when received rather than when earned and cash expenditures are recognized when paid rather than when incurred.

Auditor's responsibility

Our responsibility is to express an opinion on these Project's 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 about whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the Project's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Project'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 financial statements.

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

Opinion

In our opinion, the financial statements of "Municipal Services Improvement Project", financed under International Bank for Reconstruction and Development, Loan numbered 7699-MK and Loan numbered 8158-MK, present fairly, in all material respects, the Project's financial position as at 31 December 2013, and the movement on the Sources and Uses of Funds, Statement of Uses of Funds by Project Activity, Statement of Unit of Output by Project Activity, Statement of Breakdown of Loans and Grants, Statement of Withdrawals and Designated Account Statements as at and for the year ended 31 December 2013, in conformity with the related requirements of the World Bank's financial reporting guidelines and in compliance with the relevant provisions set out in the Loan Agreement numbered 7699-MK dated 29 June 2009, and the Disbursement letter, dated 29 June 2009 and Loan Agreement numbered 8158-MK dated 7 June 2012.

In addition:

- Adequate supporting documentation has been maintained to support claims to the World Bank for replenishment of expenditures incurred, and which expenditures are eligible for financing under the Loan Agreement numbered 7699-MK and Loan Agreement numbered 8158-MK,
- Adequate procurement procedures have been established and implemented, in compliance with the World Bank Procurement regulations and guidelines, and
- In regard to the provided Sub-loans funds to the municipalities, the applied procedures and supporting documents confirms that funds are utilized in efficient manner and for the purposes intended, in accordance with the separate on-lending agreements and provisions stipulated in the Loan Agreement numbered 7699-MK and Loan Agreement numbered 8158-MK.


Grant Thornton

Skopje,

10 June 2014

Financial Statements
 31 December 2013

Statement of Sources and Uses of Funds

	For the period from 01 January 2013 through 31 December 2013			For the period from 01 January 2012 through 31 December 2012			(Amounts in EUR) Cumulative up to 31 December	
	Actually disbursed	Budget	Variance	Actually disbursed	Budget	Variance	2013	2012
							Actually disbursed	
Sources of funds								
IBRD Original Loan 7699-MK	3,980,355	4,000,000	19,645	2,849,500	3,500,000	650,500	12,723,330	8,742,975
IBRD Additional Financing 8158-MK	2,100,000	2,600,000	500,000	93,000	93,000	-	2,193,000	93,000
Total sources of funds	6,080,355	6,600,000	519,645	2,942,500	3,593,000	650,500	14,916,330	8,835,975
Uses of funds								
Financed by IBRD								
Municipal Investment	5,342,570	5,815,223	472,653	3,566,439	4,073,058	506,619	13,154,365	7,811,795
Capacity Building and Institutional Reform	7,875	7,875	-	4,843	5,463	620	33,107	25,232
Performance-Based Investment Grants	79,912	79,912	-	-	-	-	79,912	-
Performance Management and Operating Cost	107,985	101,557	(6,428)	89,170	94,853	5,683	364,425	256,440
Subtotal - Financed by IBRD	5,538,342	6,004,567	466,225	3,660,452	4,173,374	512,922	13,631,809	8,093,467
Front-end fee	-	-	-	93,000	93,000	-	140,250	140,250
Total uses of funds	5,538,342	6,004,567	466,225	3,753,452	4,266,374	512,922	13,772,059	8,233,717
Balance	542,013	595,433	53,420	(810,952)	(673,374)	137,578	1,144,271	602,258
Reconciliation to the balance of unspent funds:								
Unspent funds, at beginning of the period	602,258	2,244,488	1,642,230	1,413,210	2,917,862	1,504,652	-	-
Unspent funds, at end of the period	1,144,271	2,839,921	1,695,650	602,258	2,244,488	1,642,230	1,144,271	602,258

The Project's Financial Statements have been approved by the MoF on 9 June 2014 and signed on its behalf by:

Malgorzata Markiewicz-Bogov

Malgorzata Markiewicz-Bogov,

Project Director

Financial Statements
 31 December 2013

Statement of Uses of Funds by Project Activity

		(Amounts in EUR)					
		For the period from 01 January 2013 through 31 December 2013			For the period from 01 January 2012 through 31 December 2012		
	Actually disbursed	Budget	Variance	Actually disbursed	Budget	Variance	
Project's expenditures by activity:							
A. Municipal Investment							
Municipal Services Improvement Project - Original Loan							
A.1 Sub Loan MSIP 01 - Kocani (Pipe Replacement - 6 km)							
A.1.i. Contract MSIP 01/1-NCB	-	-	-	-	-	-	-
A.1.ii. Contract MSIP 01/2-CQ	-	-	-	-	-	-	-
A.2 Sub Loan MSIP 02 - Bogdanci (Street Lighting)							
A.2.i. Contract MSIP 02/1-NCB	-	-	-	-	-	-	-
A.2 .ii. Contract MSIP G NSB 004/11	-	-	-	-	-	-	-
A.3. Sub Loan MSIP 03 - Skopje (Vehicle and bins for solid waste)							
A.3.i. Contract MSIP 03/1-ICB	-	-	-	-	-	-	-
A.3.ii. Contract MSIP 03/2-ICB	-	-	-	-	-	-	-
A.3.ii. Remaining loan funds (VAT)	-	-	-	-	-	-	-
A.4 Sub Loan MSIP 04 - Ilinden (Heating and Cooling of Municipality Building)							
A.4.i. Contract MSIP NCB 003/10	-	-	-	168,541	168,542		1
A.4 Sub Loan MSIP 04-2 - ILINDEN (Heating and Cooling in House of Culture)							
A.4.ii. Contract MSIP NCB	-	-	-	-	-	-	-
A.5. Sub Loan MSIP 05 - Kisela Voda (Drainage Systems)							
A.5.i. Contract MSIP NCB 004/11	-	-	-	-	-	-	-
A.5 Sub Loan MSIP 05/2 - KISELA VODA (Water supply systems)							
A.5.i. Contract MSIP W ICB 003/11-Lot1	51,588	51,588	-	466,603	500,000	33,397	
A.5.i. Contract MSIP W ICB 003/11-Lot2	11,453	11,453	-	97,953	107,000	9,047	
A.5.i. Contract MSIP W NCB 005/11	157,977	139,239	(18,738)	360,710	400,000	39,290	
A.6 Sub Loan MSIP 06 STIP (Arrangement of the central city area)							
A.6.i. Contract MSIP W NCB-008/11	35,945	73,444	37,499	210,748	315,000	104,252	
A.6.ii. Contract MSIP W ICB	16,785	16,785	-	254,894	300,000	45,106	
Returned sub-loan funds due to termination of the Sub-loan Agreement*	(160,277)	-	160,277	-	-	-	-
A.7 Sub Loan MSIP 07- PEHCEVO (Vehicles for solid waste)							
A.7.i. Contract MSIP G NCB-004/11	-	-	-	1	-	(1)	
A.8 Sub Loan MSIP 08-1 - VELES (Extension of water supply system)							
A.8.i. Contract MSIP W NCB	495,127	500,000	4,873	54,361	55,000	639	
A.8 Sub Loan MSIP 08-2 - VELES (Street lighting)							
A.8.ii. Contract MSIP W NCB	-	-	-	-	-	-	-

Financial Statements
 31 December 2013

(Amounts in EUR)

Statement of Uses of Funds by Project Activity (continued)

	Actually disbursed	For the period from 01 January 2013 through 31 December 2013		Actually disbursed	For the period from 01 January 2012 through 31 December 2012	
		Budget	Variance		Budget	Variance
A.9 Sub Loan MSIP 09 - VEVCANI (Vehicles for solid waste and Backhoe)						
A.9.i. Contract MSIP G NCB-005/11-Lot1	-	-	-	47,871	48,000	129
A.9.ii. Contract MSIP G NCB-005/11-Lot2	-	-	-	46,496	46,500	4
A.10 Sub Loan MSIP10 - KRUSEVO (Vehicles for solid waste)						
A.10. Contract MSIP G NCB-009/11	-	-	-	49,218	49,218	-
A.11 Sub Loan MSIP 11 - KICEVO (Vehicles for solid waste and Street reconstruction)						
A.11.i Contract MSIP G ICB 004-11	-	-	-	201,434	202,000	566
A.11.ii Contract MSIP W NCB 012-12	403,923	403,923	-	45,024	100,000	54,976
A.12 Sub Loan MSIP 12 - NOVACI (Street lighting)						
A.12.i Contract MSIP W NCB	55,625	55,625	-	75,085	130,000	54,915
A.13 Sub Loan MSIP 13 - DOLNENI (Rehabilitation of local roads)						
A.13.i Contract MSIP W NCB	122,390	122,390	-	144,387	200,000	55,613
A.14 Sub Loan MSIP 14 - GJORCE PETROV (Streets reconstruction)						
A.14.i Contract MSIP W ICB	341,766	341,766	-	690,706	700,000	9,294
A.15 Sub Loan MSIP 15 - GRADSKO (Vehicle and bins for solid waste)						
A.15.i Contract MSIP G NSB	-	-	-	77,097	77,097	-
A.15.ii Contract MSIP G SH	-	-	-	22,401	22,401	-
A.16 Sub Loan MSIP 16 - VASILEVO (Construction of the water supply network)						
A.16.i Contract MSIP W NCB	111,591	114,570	2,979	271,987	275,000	3,013
A.17 Sub Loan MSIP 17-BOSILOVO (Construction of bridge)						
A.17.i Contract MSIP W NCB	54,896	54,896	-	81,611	136,300	54,689
A.18 Sub Loan MSIP 18 - MOGILA (Reconstruction of House of Culture)						
A.18.i Contract MSIP W NCB	38,075	38,075	-	142,781	184,000	41,219
A.19 Sub Loan MSIP 19 - GOSTIVAR (Street lighting and Supply of basic equipment for public hygiene)						
A.19.i. Contract MSIP ICB	458,000	458,000	-	-	-	-
A.19.ii. Contract MSIP NCB	241,094	250,000	8,906	-	-	-
- Remaining loan funds	42,702	-	(42,702)	-	-	-
A.20 Sub Loan MSIP 20 - PRILEP (Streets reconstruction)						
A.20.i. Contract MSIP NCB	445,089	445,089	-	56,530	57,000	470
A.21 Sub Loan MSIP 21 - CAIR (School/Kindergarten Insulation Project)						
A.21.i. Contract MSIP NCB	354,180	496,000	141,820	-	-	-
A.22 Sub Loan MSIP - GAZI BABA (Reconstruction of School)						
A.22.i. Contract MSIP NCB	118,374	118,000	(374)	-	-	-
A.23 Sub Loan MSIP - KAVADARCI (Reconstruction of Schools)						
A.23.i. Contract MSIP NCB	-	-	-	-	-	-
Other Sub - Loan	-	-	-	-	-	-
Sub-total Component A - Original Loan	3,396,303	3,690,843	294,540	3,566,439	4,073,058	506,619

Financial Statements
 31 December 2013

(Amounts in EUR)

Statement of Uses of Funds by Project Activity (continued)

	Actually disbursed	For the period from 01 January 2013 through 31 December 2013		Actually disbursed	For the period from 01 January 2012 through 31 December 2012	
		Budget	Variance		Budget	Variance
Municipal Services Improvement Project - Additional Financing						
A.AF.01 Sub Loan MSIP 22 - BEROVO (Streets reconstruction)						
A.AF.1.i Contract MSIP W NCB	346,630	390,000	43,370	-	-	-
A.AF.02 Sub Loan MSIP 23 - MAVROVO ROSTUSE (Streets reconstruction)						
A.AF.1.i Contract MSIP W NCB	-	-	-	-	-	-
A.AF.03 Sub Loan MSIP - VINICA (Vehicles for solid waste)						
A.AF.03 Sub Loan MSIP 24-2 - VINICA (Construction of storm water system and construction of street)						
A.AF.1.i Contract MSIP G NCB	141,897	141,897	-	-	-	-
A.AF.1.i I Contract MSIP W NCB	-	-	-	-	-	-
A.AF.04 Sub Loan MSIP - KRIVA PALANKA (Streets reconstruction)						
A.AF.1.i Contract MSIP W NCB	214,608	214,608	-	-	-	-
A.AF.1.i Contract MSIP G NCB	388,090	400,000	11,910	-	-	-
A.AF.05 Sub Loan MSIP 27 - RANKOVCE (Streets reconstruction)						
A.AF.1.i Contract MSIP W NCB	168,165	300,000	131,835	-	-	-
A.AF.06 Sub Loan MSIP 26 - BOSILOVO (Streets reconstruction)						
A.AF.1.i Contract MSIP W NCB	400,087	400,087	-	-	-	-
A.AF.07 Sub Loan MSIP 29 - PRILEP (Streets reconstruction)						
A.AF.1.i Contract MSIP W NCB	77,788	77,788	-	-	-	-
A.AF.08 Sub Loan MSIP 30 - PETROVEC (Reconstruction of School)						
A.AF.1.i Contract MSIP W NCB	209,002	200,000	(9,002)	-	-	-
A.AF.09 Sub Loan MSIP 31 - CASKA (Street reconstruction and water reservoir)						
A.AF.9.i Contract MSIP W NCB	-	-	-	-	-	-
A.AF.10 Sub Loan MSIP 32 - PROBISHTIP (Street reconstruction)						
Sub-total Component A - Additional Financing	1,946,267	2,124,380	178,113	-	-	-
Sub-total Component A	5,342,570	5,815,223	472,653	3,566,439	4,073,058	506,619
B. Capacity Building and Institutional Reform						
Municipal Services Improvement Project- Original Loan						
B.1 TA to Municipalities and CSE's for Sub- project preparation						
B.1.i: IBNET consultant	7,200	7,200	-	2,400	3,000	600
B.2.Strengthening Capacity of Mun. and CSE's to Improve Services	-	-	-	-	-	-
B.3.Development strategy for Fin. Intermediaries in Mun. Investments	-	-	-	-	-	-
B.4.Project Introduction and sub-project implementation workshop	-	-	-	-	-	-
B.5 TA for review of legal, regulatory framework for sovereign debt	-	-	-	-	-	-
B.5.ii.Contract MSIP PMU-CS-SSS-B5-1	-	-	-	-	-	-
B.5.i.Contract MSIP PMU-CS-SSS-B5-2	-	-	-	-	-	-
B.5.iii Workshop	-	-	-	-	-	-
Payments without contract	675	675	-	2,443	2,463	20

Financial Statements
 31 December 2013

(Amounts in EUR)

Statement of Uses of Funds by Project Activity (continued)

	For the period from 01 January 2013 through 31 December 2013			For the period from 01 January 2012 through 31 December 2012		
	Actually disbursed	Budget	Variance	Actually disbursed	Budget	Variance
B.4. Follow-up workshop on feasibility study preparation	-	-	-	-	-	-
B.4. IBNET workshop	-	-	-	463	463	-
B.4. Procurement workshop	675	675	-	1,980	2,000	20
Sub-total Component B - Original Loan	7,875	7,875	-	4,843	5,463	620
Municipal Services Improvement Project - Additional Financing						
B.1.AF. Contract	-	-	-	-	-	-
B.2.AF. Contract	-	-	-	-	-	-
B.3.AF. Contract	-	-	-	-	-	-
B.4.AF. Contract	-	-	-	-	-	-
Sub-total Component B - Additional Financing	-	-	-	-	-	-
Sub-total Component B	7,875	7,875	-	4,843	5,463	620
C. Performance - Based Investment Grants						
Municipal Services Improvement Project - Original Loan						
C.01. KOCANI GA-01	60,029	60,029	-	-	-	-
C.02. CITY of SKOPJE GA-02	-	-	-	-	-	-
C.03. VEVCHANI GA-03	19,883	19,883	-	-	-	-
C.04. VASILEVO GA-04	-	-	-	-	-	-
Contract 4	-	-	-	-	-	-
Sub- total Component C - Original Loan	79,912	79,912	-	-	-	-
Municipal Services Improvement Project - Additional Financing						
C.1.AF. Contract	-	-	-	-	-	-
C.2.AF. Contract	-	-	-	-	-	-
C.3.AF. Contract	-	-	-	-	-	-
C.4.AF. Contract	-	-	-	-	-	-
Sub- total Component C - Additional Financing	-	-	-	-	-	-
Sub-total Component C	79,912	79,912	-	-	-	-
D. Project Management and Operating Cost						
Municipal Services Improvement Project - Original Loan						
PMU staff						
MSIP PMU 01 - Project director	-	-	-	-	-	-
MSIP PMU 07 - Project director	15,470	10,400	(5,070)	15,000	15,000	-
MSIP PMU 02 - FM specialist	13,090	13,090	-	12,600	12,600	-
MSIP PMU 03 - Procurement specialist	-	-	-	-	-	-
MSIP PMU 08 - Procurement specialist	13,090	13,090	-	12,600	12,600	-
MSIP PMU 04 - Civil Engineer	13,684	13,684	-	12,853	12,853	-
MSIP PMU 05 - Office Manager	-	-	-	-	-	-
MSIP PMU 09 - Office Manager 2	7,280	7,280	-	5,099	7,200	2,101
MSIP PMU 11 - Civil engineer 2	11,900	11,900	-	4,355	4,000	(355)
MSIP PMU 12 - Administrative officer	8,330	8,330	-	3,048	2,800	(248)
Part time personnel						
MSIP PMU 06 - Environment consultant	9,240	9,240	-	5,340	7,000	1,660
MSIP PMU 10 - Performance grant consultant	-	1,000	1,000	1,440	2,000	560

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(Amounts in EUR)

Statement of Uses of Funds by Project Activity (continued)

	For the period from 01 January 2013 through 31 December 2013			For the period from 01 January 2012 through 31 December 2012		
	Actually disbursed	Budget	Variance	Actually disbursed	Budget	Variance
Project Financial Audit	4,263	4,263	-	3,617	4,000	383
Other costs						
MSIP PMU 01 - SH - IT equipment	-	-	-	1,837	1,800	(37)
MSIP PMU 02 - SH - Vehicle	-	-	-	-	-	-
MSIP PMU SH 04 FM software	-	-	-	-	-	-
Training for the PMU staff	4,280	4,280	-	3,245	4,000	755
Payments without contract	7,358	5,000	(2,358)	8,136	9,000	864
Sub-total Component D - Original Loan	107,985	101,557	(6,428)	89,170	94,853	5,683
Municipal Services Improvement Project - Additional Financing						
D.1.AF. Contract	-	-	-	-	-	-
D.2.AF.Contract	-	-	-	-	-	-
D.3.AF.Contract	-	-	-	-	-	-
Sub-total Component D - Additional Financing	-	-	-	-	-	-
Sub-total Component D	107,985	101,557	(6,428)	89,170	94,853	5,683
Front End Fee - Original Loan	-	-	-	-	-	-
Front End Fee - Additional Financing	-	-	-	93,000	93,000	-
Total Project Expenditures by activity	5,538,342	6,004,567	466,225	3,753,452	4,266,374	512,922

Financial Statements
 31 December 2013

Statement of Unit of Output by Project Activity

										Cumulative for the period from 29 June 2009 through 31 December 2013	
Activities from the MSIP Procurement Plan	Procurement plan amount Euro	Contracted in Euro equivalent	Paid amount in Euro equivalent	Procurement method	Contract amount original currency	Paid amount original currency	Contract amount local currency MKD	Paid amount local currency MKD	Commitments in contract currency EUR MKD		
Component A: MUNICIPAL INVESTMENTS											
Municipal Services Improvement Project-Original Loan											
A.1 Sub Loan MSIP 01 - KOCANI (Pipe Replacement (6km))											
A.1.i.ContractMSIP01/1-NCB	570,000	577,034	577,034	NCB	35,335,224 MKD	35,335,224 MKD	35,335,224	35,335,224	-	-	
A.1.ii.ContractMSIP01/2-CQ	30,000	22,966	22,966	CQ	23,010 EUR	22,966 EUR	1,412,386	1,406,481	-	-	
Remaining sub-loan funds	-	-	-	-	-	-	-	-	-	-	
A.2 Sub Loan MSIP 02 - BOGDANI (Street lighting)											
A.2.i. Contract MSIP 02/1-NCB	87,341	87,341	87,341	NCB	5,345,018 MKD	5,345,018 MKD	5,345,018	5,345,018	-	-	
A.2 .ii. Contract MSIP G NSB 004/11	13,151	13,151	13,151	NCB	804,983 MKD	804,983 MKD	804,983	804,983	-	-	
A.3 Sub Loan MSIP 03-SKOPJE (Vehicles and bins for solid waste)											
A.3.i.Contract MSIP 03/ 1-ICB	1,798,300	1,798,300	1,798,300	ICB	1,798,300 EUR	1,798,300 EUR	110,207,127	110,207,127	-	-	
A.3.ii.Contract MSIP 03/2-ICB	748,800	748,800	748,800	ICB	748,800 EUR	748,800 EUR	45,838,024	45,838,024	-	-	
VAT	427,722	427,722	427,722	N/A	427,722 EUR	427,722 EUR	26,187,300	26,187,300	-	-	

Financial Statements
 31 December 2013

Statement of Unit of Output by Project Activity (continued)									Cumulative for the period from 29 June 2009 through 31 December 2013	
Activities from the MSIP Procurement Plan	Procurement plan amount Euro	Contracted in Euro equivalent	Paid amount in Euro equivalent	Procurement method	Contract amount original currency	Paid original currency	Contract amount local currency MKD	Paid amount local currency MKD	Commitments in contract currency EUR	MKD
A.4 Sub Loan MSIP 04 - ILINDEN (Heating and Cooling of Municipal Buildings)										
A.4.i.ContractMSIPNCB003/10	230,486	230,486	230,486	NCB	14,108,696 MKD	14,108,696 MKD	14,108,696	14,108,696	-	-
A.4 Sub Loan MSIP 04-2 - ILINDEN (Heating and Cooling in House of Culture)										
A.4.ii. Contract MSIP NCB	145,723	-	-	NCB	-	-	-	-	-	-
A.5 Sub Loan MSIP 05- KISELA VODA (Drainage Systems)										
A.5 Sub Loan MSIP 05/2 - KISELA VODA (Water supply systems)										
A.5.i. Contract MSIP W ICB 003/11- Lot1	680,744	680,744	680,744	ICB	41,674,783 MKD	41,674,783 MKD	41,674,783	41,674,783	-	-
A.5.ii. Contract MSIP W ICB 003/11- Lot2	229,634	229,634	229,634	ICB	14,054,281 MKD	14,054,281 MKD	14,054,281	14,054,281	-	-
A.5.iii. Contract MSIP W NCB 005/11	638,379	638,379	638,379	NCB	39,085,146 MKD	39,085,146 MKD	39,085,146	39,085,146	-	-
A.6 Sub Loan MSIP 06 STIP (Arrangement of the central city area)										
A.6.i. Contract MSIP W NCB 008-11	278,445	278,445	278,445	NCB	17,053,273 MKD	17,053,273 MKD	19,430,595	17,053,273	-	-
A.6.ii. Contract MSIP W ICB	271,679	271,679	271,679	ICB	271,679 EUR	271,679 EUR	16,708,250	16,632,574	-	-
Returned sub-loan funds due to termination of the Sub-loan Agreement	(160,277)	(160,277)	(160,277)	-	-	-	(9,813,207)	(9,813,207)	-	-
A.7 Sub Loan MSIP 07- PEHCEVO (Vehicles for solid waste)										
A.7.i. Contract MSIP W NCB from the sub-loan	68,551	68,551	68,551	NCB	4,195,000 MKD	4,195,000 MKD	4,195,000	4,195,000	-	-

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Statement of Unit of Output by Project Activity (continued)										Cumulative for the period from 29 June 2009 through 31 December 2013	
Activities from the MSIP Procurement Plan	Procurement plan amount Euro	Contracted in Euro equivalent	Paid amount in Euro equivalent	Procurement method	Contract amount original currency	Paid original currency	Contract amount local currency MKD	Paid amount local currency MKD	Commitments in contract currency EUR MKD		
A.8 Sub Loan MSIP 08-1 - VELES (Extension of water supply system)											
A.8.i. Contract MSIP W NCB	682,927	623,976	549,488	NCB	38,374,512 MKD	33,664,194 MKD	38,374,512	33,664,194	-	4,710,318	
- Remaining loan funds		58,951									
Sub Loan MSIP 08-2 - VELES (Street lighting)											
A.8.ii. Contract MSIP W NCB	378,543	287,855	-	NCB	17,703,068 MKD	-	17,703,068	-	-	17,703,068	
- Remaining loan funds		90,688									
A.9 Sub Loan MSIP 09 - VEVCANI (Vehicles for solid waste and Backhoe)									-	-	
A.9.i. Contract MSIP W NCB- Lot 1 from the sub-loan	99,686	53,190	53,190	NCB	3,255,000 MKD	3,255,000 MKD	3,255,000	3,255,000	-	-	
A.9.ii. Contract MSIP W NCB-Lot 2 from the sub-loan		46,496	46,496	NCB	2,845,000 MKD	2,845,000 MKD	2,845,000	2,845,000	-	-	
A.10 Sub Loan MSIP10 - KRUSEVO (Vehicles for solid waste)											
A.10. Contract MSIP W NCB 009-11	49,218	49,218	49,218	NCB	3,011,655 MKD	3,011,655 MKD	3,011,655	3,011,655	-	-	
A.11 Sub Loan MSIP 11 - KICEVO (Vehicles for solid waste and Street reconstruction)											
A.11.1 Contract MSIP G ICB 004-11	201,434	201,434	201,434	ICB	12,327,885 MKD	12,327,883 MKD	12,327,885	12,327,883	-	2	
A.11.2 Contract MSIP W NCB 012-12	562,793	448,947	448,947	NCB	27,536,275 MKD	27,536,275 MKD	27,536,275	27,536,275	-		
- Remaining loan funds		113,846									
A.12 Sub Loan MSIP 12 - NOVACI (Street lighting)											
A.12.i Contract MSIP W NCB	130,711	130,711	130,711	NCB	8,000,000 MKD	7,999,998 MKD	8,000,000	7,999,998	-	2	
A.13 Sub Loan MSIP 13 - DOLNENI (Rehabilitation of local roads)											
A.13.i Contract MSIP W NCB	266,778	266,778	266,778	NCB	16,345,302 MKD	16,345,302 MKD	16,345,302	16,345,302	-	-	
A.14 Sub Loan MSIP 14 - GJORCE PETROV (Streets reconstruction)											
A.14.i Contract MSIP W ICB	1,300,813	1,300,813	1,032,472	ICB	80,000,000 MKD	63,240,043 MKD	80,000,000	63,240,043	-	16,759,957	

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Statement of Unit of Output by Project Activity (continued)										Cumulative for the period from 29 June 2009 through 31 December 2013	
Activities from the MSIP Procurement Plan	Procurement plan amount Euro	Contracted in Euro equivalent	Paid amount in Euro equivalent	Procurement method	Contract amount original currency	Paid original currency	Contract amount local currency MKD	Paid amount local currency MKD	Commitments in contract currency EUR MKD		
- Remaining loan funds		-									
A.15 Sub Loan MSIP 15 - GRADSKO (Vehicle and bins for solid waste)											
A.15.i Contract MSIP G NCB	77,097	77,097	77,097	NCB	4,718,820 MKD	4,718,820 MKD	4,718,820	4,718,820	-	-	
A.15.ii Contract MSIP G SH	22,401	22,401	22,401	SH	1,371,160 MKD	1,371,160 MKD	1,371,160	1,371,160	-	-	
A.16 Sub Loan MSIP 16 - VASILEVO (Construction of the water supply network)											
A.16.i Contract MSIP W NCB	383,578	383,578	383,578	NCB	23,493,724 MKD	23,493,724 MKD	23,493,724	23,493,724	-	-	
A.17 Sub Loan MSIP 17-BOSILOVO (Construction of bridge)											
A.17.i Contract MSIP W NCB	136,507	136,507	136,507	NCB	8,357,469 MKD	8,357,469 MKD	8,357,469	8,357,469	-	-	
A.18 Sub Loan MSIP 18 - MOGILA (Reconstruction of House of Culture)											
A.18.i Contract MSIP W NCB	180,856	180,856	180,856	NCB	11,073,076 MKD	11,073,076 MKD	11,073,076	11,073,076	-	-	
A.19 Sub Loan MSIP 19 - GOSTIVAR (Street lighting and Supply of basic equipment for public hygiene)											
A.19.i. Contract MSIP ICB	458,000	458,000	458,000	ICB	458,000 MKD	458,000 MKD	28,028,835	28,028,835	-	-	
A.19.ii. Contract MSIP NCB	339,451	339,378	241,094	NCB	20,871,755 MKD	14,788,263 MKD	20,871,755	14,788,263	-	6,083,492	
- VAT	42,702	42,702	42,702		2,619,251 MKD	2,619,251 MKD	2,619,251	2,619,251	-	-	
- Remaining loan funds		73									
A.20 Sub Loan MSIP 20 - PRILEP (Streets reconstruction)											
A.20.i. Contract MSIP NCB	501,619	501,619	501,619	NCB	30,754,250 MKD	30,754,250 MKD	30,754,250	30,754,250	-	-	
A.21 Sub Loan MSIP 21 - CAIR (School/Kindergarten Insulation Project)											
A.21.i. Contract MSIP NCB	496,260	444,591	354,180	NCB	27,342,348 MKD	21,681,733 MKD	27,342,348	21,681,733	-	5,660,615	
- Remaining loan funds		51,669									

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Statement of Unit of Output by Project Activity (continued)											
Activities from the MSIP Procurement Plan	Procurement plan amount Euro	Contracted in Euro equivalent	Paid amount in Euro equivalent	Procurement method	Contract amount original currency	Paid original currency	Contract amount local currency MKD	Paid amount local currency MKD	Commitments in contract currency EUR MKD		
A.22 Sub Loan MSIP - GAZI BABA (Reconstruction of School)											
A.22.i. Contract MSIP NCB	1,472,905	1,177,967	118,375	ICB	72,444,955 MKD	7,244,496 MKD	72,444,955	7,244,496	-	65,200,459	
- Remaining loan funds		294,938									
A.23 Sub Loan MSIP - KAVADARCI (Reconstruction of Schools)											
A.23.i. Contract MSIP NCB	-	-	-	-	-	-	-	-	-	-	
Other Sub Loans OL	2,697,693	-	-	-	-	-	-	-	-	-	
Sub-total Component A OL	16,540,650	13,697,234	11,208,098				805,047,946	686,471,130	-	116,117,913	
Municipal Services Improvement Project-Additional Financing											
A.AF.01 Sub Loan MSIP 22 - BEROVO (Streets reconstruction)											
A.AF.1.i Contract MSIP W NCB	391,039	365,780	346,630	NCB	22,495,467 MKD	21,225,082 MKD	22,495,467	21,225,082	-	1,270,385	
- Remaining loan funds		25,259									
A.AF.02 Sub Loan MSIP 23 - MAVROVO ROSTUSE (Streets reconstruction)											
A.AF.2.i Contract MSIP W NCB	133,332	-		NCB	-	-	-	-	-	-	
A.AF.03 Sub Loan MSIP - VINICA (Vehicles for solid waste)											
A.AF.03 Sub Loan MSIP 24-2 - VINICA (Street/storm water)											
A.AF.3.i Contract MSIP G NCB	141,897	141,897	141,897	NCB	8,708,400 MKD	8,708,400 MKD	8,708,400	8,708,400	-	-	
A.AF.3.ii Contract MSIP W NCB	611,854	-	-	-	-	-	-	-	-	-	
- Remaining loan funds											
A.AF.04 Sub Loan MSIP - KRIVA PALANKA (Streets reconstruction)											
A.AF.4.i Contract MSIP G NCB	172,171	172,171	172,171	NCB	10,567,362 MKD	10,567,362 MKD	10,567,362	10,567,362	-	-	
A.AF.4.ii Contract MSIP W NCB	666,238	609,241	430,527	NCB	37,468,293 MKD	26,159,372 MKD	37,468,293	26,159,372	-	11,308,921	
- Remaining loan funds		56,997									
A.AF.05 Sub Loan MSIP - RANKOVCE (Streets reconstruction)											
A.AF.5.i Contract MSIP W NCB	341,463	278,963	168,165	NCB	17,156,238 MKD	10,315,916 MKD	17,156,238	10,315,916	-	6,840,322	
- Remaining loan funds		62,500									

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Statement of Unit of Output by Project Activity (continued)									Cumulative for the period from 29 June 2009 through 31 December 2013	
Activities from the MSIP Procurement Plan	Procurement plan amount Euro	Contracted in Euro equivalent	Paid amount in Euro equivalent	Procurement method	Contract amount original currency	Paid original currency	Contract amount local currency MKD	Paid amount local currency MKD	Commitments in contract currency EUR	Commitments in contract currency MKD
A.AF.06 Sub Loan MSIP – BOSILOVO (Streets reconstruction)										
A.AF.6.i Contract MSIP W NCB	400,087	400,087	400,087	NCB	24,499,519 MKD	24,499,519 MKD	24,499,519	24,499,519	-	-
A.AF.07 Sub Loan MSIP 29 - PRILEP (Streets reconstruction)										
A.AF.7.i Contract MSIP W NCB	789,198	776,313	77,788	NCB	47,743,232 MKD	4,774,323 MKD	47,743,232	4,774,323	-	42,968,909
- Remaining loan funds		12,885								
A.AF.08 Sub Loan MSIP 30 - PETROVEC (Reconstruction of School)										
A.AF.8.i Contract MSIP W NCB	1,424,856	1,311,678	209,002	ICB	80,668,219 MKD	12,805,328 MKD	80,668,219	12,805,328	-	67,862,891
- Remaining loan funds		113,178								
A.AF.09 Sub Loan MSIP 31 - CASKA (Street reconstruction and water reservoir)										
A.AF.9.i Contract MSIP W NCB	531,938	-	-	NCB	-	-	-	-	-	-
A.AF.10 Sub Loan MSIP 32 - PROBISHTIP (Street reconstruction)										
A.AF.10.i Contract MSIP W NCB	464,095	-	-	NCB	-	-	-	-	-	-
A.AF.11 Sub Loan MSIP 33 - PEHCEVO (Street reconstruction)										
A.AF.11.i Contract MSIP W NCB	125,289	-	-	NCB	-	-	-	-	-	-
A. Other Sub Loans AF	25,279,543									
Sub-total Component A AF	31,473,000	4,326,949	1,946,267				249,306,730	119,055,302	-	130,251,428
Total Component A	48,013,650	18,024,183	13,154,365				1,054,354,676	805,526,432	-	246,369,341

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Statement of Unit of Output by Project Activity (continued)											
Activities from the MSIP Procurement Plan	Procurement plan amount Euro	Contracted in Euro equivalent	Paid amount in Euro equivalent	Procurement method	Contract amount original currency	Paid original currency	Contract amount local currency MKD	Paid amount local currency MKD	Commitments in contract currency EUR MKD		
Component B: CAPACITY BUILDING AND INSTITUTIONAL STRENGTHENING											
Municipal Services Improvement Project-Original Loan											
B.1 TA support to Municipalities and CSE's for Sub-project preparation (Multiply Contracts)											
B.1.i: IBNET consultant	30,000	16,800	9,600	ICS	16,800 EUR	9,600 EUR	1,033,200	588,087	7,200	-	
Total B.1	90,000	16,800	9,600				1,033,200	588,087	7,200	-	
B.2 Strengthening Capacity of Municipalities and CSE's to Improve Performance in Services											
B.2.i: Monitoring and evaluation of CSE's											
	-	-	-	-	-	-	-	-	-	-	
B.2.ii: Financial and accounting systems											
	-	-	-	-	-	-	-	-	-	-	
B.2.iii: Programmes for reduction of non-revenue waters											
	-	-	-	-	-	-	-	-	-	-	
B.2.iv: Development of models for water tariffs											
	-	-	-	-	-	-	-	-	-	-	
Total B.2	80,000	-	-				-	-	-	-	
B.3.: Development of strategy for Involvement of Financial Intermediaries in Municipal Investments (Multiply Contracts)											
B.3.i: Contract 1											
	-	-	-	-	-	-	-	-	-	-	
B.3.i: Contract 2											
	-	-	-	-	-	-	-	-	-	-	
Total B.3	30,000	-	-				-	-	-	-	

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Statement of Unit of Output by Project Activity (continued)										
Activities from the MSIP Procurement Plan	Procurement plan amount Euro	Contracted in Euro equivalent	Paid amount in Euro equivalent	Procurement method	Contract amount original currency	Paid original currency	Contract amount local currency MKD	Paid amount local currency MKD	Commitments in contract currency EUR MKD	
B.4 Project Introduction and sub-project implementation workshop for strengthening the Capacity of Municipalities and CSE's (Multiply Workshop)										
B.4.i: Follow-up seminar of feasibility study preparation for sub-projects (multiply)	2,000	506	506	Training	-	-	-	-	-	-
B.4.ii: Preparation of detailed design and tender documents (multiply)	-	-	-	-	-	-	-	-	-	-
B.4.iii: Contract Management and Administration training workshop (multiply)	-	-	-	-	-	-	-	-	-	-
B.4.iv: Operation and maintenance (multiply)	2,500	3,118	3,118	Training	191,193 MKD	191,193 MKD	191,193	191,193	-	-
Total B.4	36,167	3,624	3,624				191,193	191,193	-	-
B.5 TA for review of legal, regulatory framework for sovereign debt										
B.5.ii.Contract MSIP PMU-CS-SSS-B5-1	12,215	12,215	12,215	SSS	15,800 USD	15,800 USD	750,255	750,255	-	-
B.5.i.Contract MSIP PMU-CS-SSS-B5-2	7,470	7,470	7,470	SSS	10,300 USD	10,300 USD	459,127	459,127	-	-
B.5.iii Workshop	198	198	198	N/A	12,127 MKD	12,127 MKD	12,127	12,127	-	-
Total B.5	19,883	19,883	19,883				1,221,509	1,221,509	-	-
Sub-total Component B OL	256,050	40,307	33,107				2,445,902	2,000,789	7,200	-
Municipal Services Improvement Project-Additional Financing										
B.1.AF. Contract	-	-	-	-	-	-	-	-	-	-
B.2.AF. Contract	-	-	-	-	-	-	-	-	-	-
B.3.AF. Contract	-	-	-	-	-	-	-	-	-	-
B.4.AF. Contract	-	-	-	-	-	-	-	-	-	-
Sub-total Component B AF	1,824,700	-	-				-	-	-	-
Total Component B	2,080,750	40,307	33,107				2,445,902	2,000,789	7,200	

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Statement of Unit of Output by Project Activity (continued)

Activities from the MSIP Procurement Plan	Procurement plan amount Euro	Contracted in Euro equivalent	Paid amount in Euro equivalent	Procurement method	Contract amount original currency	Paid original currency	Contract amount local currency MKD	Paid amount local currency MKD	Commitments in contract currency EUR MKD	
D.1/1.iv. - 1 Procurement Manager	7,632	7,600	7,600	ICS	7,600 EUR	7,600 EUR	341,542	341,542	-	-
D.1/1.iv. - 2 Procurement Manager	56,538	51,500	42,054	ICS	51,500 EUR	42,054 EUR	3,141,500	2,495,840	9,446	-
D.1/1.v. - Procurement Assistant	45,300	-	-	-	-	-	-	-	-	-
D.1/1.vi. - Civil engineer	59,800	52,500	44,038	ICS	52,500 EUR	44,038 EUR	3,202,500	3,229,351	8,462	-
D.1/1.vii. - 1 Office Manager	7,200	7,200	7,200	ICS	7,200 EUR	7,200 EUR	439,200	440,920	-	-
D.1/1.vii. - 2 Office Manager	27,610	22,700	12,379	ICS	22,700 EUR	12,379 EUR	1,384,700	752,195	10,321	-
D.1/1.viii. 2 Civil engineer	59,800	27,000	16,255	ICS	27,000 EUR	16,255 EUR	1,647,000	965,738	10,745	-
D.1/1.ix. - Administrative officer	9,000	18,900	11,378	ICS	18,900 EUR	11,378 EUR	1,152,900	698,013	7,522	-
D.1/1.x. - Other local consultants	11,200	-	-	-	-	-	-	-	-	-
Total D.1/1	466,550	326,800	259,464				19,812,742	16,144,742	67,336	-
D.1/2.: Part time specialists (environmental, social, CBA specialist, legal specialist, monitoring, supervision...)										
D.1/2.i - Independent Specialist for Monitoring of Performance Grants Compliance	60,000	3,600	1,440	ICS	3,600 EUR	1,440 EUR	221,400	88,123	2,160	-
D.1/2.ii - Safeguards Specialist (environmental)	24,000	24,000	21,660	ICS	24,000 EUR	21,660 EUR	1,464,000	1,327,063	2,340	-
D.1/2.iii - International Procurement Advisor	20,000	-	-	-	-	-	-	-	-	-
D.1/2.x- Other specialists	10,000	-	-	-	-	-	-	-	-	-
Total D1/2	114,000	27,600	23,100				1,685,400	1,415,186	4,500	-
Total D1	580,550	354,400	282,564				21,498,142	17,559,928	71,836	-
D.2 Project Financial Audit										
D.2 Project Financial Audit	20,000	18,150	11,497	LCS	1,107,000 MKD	704,052 MKD	1,107,000	704,052	-	402,948
Total D2:	20,000	18,150	11,497				1,107,000	704,052	-	402,948
D.3: Operating costs										
D.3.i: Furniture	4,600	-	-	-	-	-	-	-	-	-
D.3.ii: IT equipment	6,700	5,421	5,421	SH	331,777 MKD	331,777 MKD	331,777	331,777	-	-
D.3.iii: Vehicle	15,500	14,753	14,753	SH	904,000 MKD	904,000 MKD	904,000	904,000	-	-

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Statement of Unit of Output by Project Activity (continued)

Activities from the MSIP Procurement Plan	Procurement plan amount Euro	Contracted in Euro equivalent	Paid amount in Euro equivalent	Procurement method	Contract amount original currency	Paid original currency	Contract amount local currency MKD	Paid amount local currency MKD	Commitments in contract currency EUR MKD	
D.3.iv: Software	2,500	3,171	3,171	SH	194,040 MKD	194,040 MKD	194,040	194,040	-	-
D.3.v: Training for PIU staff	30,000	13,998	13,998	Training	13,998 EUR	13,998 EUR	858,701	858,701	-	-
D.3.vi: Other operating costs (payments without contracts)	96,200	32,975	33,021	IOC	2,051,884 MKD	2,051,884 MKD	2,049,024	2,049,024	-	-
- communications	15,000	4,252	4,252		256,217 MKD	256,217 MKD	256,217	256,217	-	-
- advertising	3,000	5,840	5,840		357,136 MKD	357,136 MKD	357,136	357,136	-	-
-translation	3,010	2,141	2,141		130,348 MKD	130,348 MKD	130,348	130,348	-	-
-bank provision	1,000	189	236		14,414 MKD	14,414 MKD	11,554	11,554	-	-
-petty cash	30,000	2,421	2,421		148,268 MKD	148,268 MKD	148,268	148,268	-	-
-other operating costs	44,190	18,132	18,132		1,145,501 MKD	1,145,501 MKD	1,145,501	1,145,501	-	-
Total D.3	155,500	70,318	70,364				4,337,542	4,337,542	-	-
Sub-total component D OL	756,050	442,868	364,425				26,942,684	22,601,522	71,836	402,948
Municipal Services Improvement Project-Additional Financing										
D.1.AF. Contract	-	-	-	-	-	-	-	-	-	-
D.2.AF.Contract	-	-	-	-	-	-	-	-	-	-
D.3.AF.Contract	-	-	-	-	-	-	-	-	-	-
Sub-total component D AF	907,300	-	-				-	-	-	-
Total Component D	1,663,350	442,868	364,425				26,942,684	22,601,522	71,836	402,948
Front and Fee-Original Loan	47,250	47,250	47,250				-	-	-	-
Front and Fee-Additional Financing	93,000	93,000	93,000				-	-	-	-
Total Project	56,100,000	18,875,676	13,772,059				1,097,749,055	835,022,913	79,036	255,883,912

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Statement of Breakdown of Loans and Grants

		(Amounts in EUR)				
		Cumulative for the period from 29 June 2009 through 31 December 2013				
<i>Municipality</i>	Loan/grant No. / WB approved date	Loan/grant amount	Paid loan/Grant amount	Remaining balance	Outstanding payments	Payment requests processed
COMPONENT A						
Municipal Services Improvement Project-Original Loan						
KOCANI						
A.1 Sub-Loan MSIP 01 - (Pipe Replacement (6km)	Sub-loan MSIP 01/ 14 December 2009	600,000				
A.1.i.Contract MSIP 01/ 1 – NCB		577,034	577,034	-	-	-
A.1.ii.Contract MSIP 01/2 – CQ		22,966	22,966	-	-	-
Remaining loan funds		-	600,000	-	-	-
BOGDANCI						
A.2 Sub Loan MSIP 02 - BOGDANCI (Street lighting)	Sub-loan MSIP 02/ 13 April 2010	100,492				
A.2.i. Contract MSIP 02/1-NCB		87,341	87,341	-	-	-
A.2 .ii. Contract MSIP G NSB 004/11		13,151	13,151	-	-	-
Remaining loan funds		-	100,492	-	-	-

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Statement of Breakdown of Loans and Grants (continued)		(Amounts in EUR)				
		Cumulative for the period from 29 June 2009 through 31 December 2013		Remaining balance	Outstanding payments	Payment requests processed
Municipality	Loan/grant No. / WB approved date	Loan/grant amount	Paid loan/Grant amount			
CITY OF SKOPJE						
A.3 Sub Loan MSIP 03-Skopje (Vehicles and bins for solid waste)	Sub-loan MSIP 03/ 7 July 2010	2,977,522				
A.3.i.Contract MSIP 03/ 1-ICB*		1,801,000	1,798,300	-	-	-
A.3.ii.Contract MSIP 03/2-ICB		748,800	748,800	-	-	-
Loan funds (VAT)		427,722	427,722	-	-	-
Remaining loan funds		-	2,974,822	-	-	-
ILINDEN						
A.4 Sub Loan MSIP 04 - ILINDEN (Heating and Cooling of Municipal Buildings)	Sub-loan MSIP 04/ 24 September 2010	230,486				
A.4.i. Contract MSIP NCB 003/10		230,486	230,486	-	-	-
Remaining loan funds		-	230,486	-	-	-
A.4 Sub Loan MSIP 04 - ILINDEN (Heating and Cooling of Municipal Buildings)	Sub-loan MSIP 04-2/ 11 November 2013	145,723				
A.4.ii. Contract MSIP NCB		-	-	-	-	-
Remaining loan funds		145,723	-	-	-	-
KISELA VODA						
A.5 Sub Loan MSIP 05- KISELA VODA (Drainage Systems)	Sub-loan MSIP 05/ 27 November 2010	910,378				
A.5.i. Contract MSIP W ICB 003/11-Lot1		680,744	680,744	-	-	-
A.5.ii. Contract MSIP W ICB 003/11-Lot2		229,634	229,634	-	-	-
Remaining loan funds		-	910,378	-	-	-
A.5 Sub Loan MSIP 05/2 - KISELA VODA (Water supply systems)	Sub-loan MSIP 05-2/ 14 March 2011	638,379				
Municipal co-financing		43,448				
A.5.iii. Contract MSIP W NCB 005/11		681,827	681,827	-	-	-
Remaining loan funds		-	681,827	-	-	-

* The Loan is fully paid. The difference from the contract amount of 1,801,000 EUR and the amount paid 1,798,300 EUR is a credit note in amount of 2,700 EUR.

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Statement of Breakdown of Loans and Grants (continued)		(Amounts in EUR)				
		Cumulative for the period from 29 June 2009 through 31 December 2013				
Municipality	Loan/grant No. / WB approved date	Loan/grant amount	Paid loan/Grant amount	Remaining balance	Outstanding payments	Payment requests processed
STIP						
A.6 Sub Loan MSIP 06 STIP (Arrangement of the central city area)	Sub-loan MSIP 06/ 5 April 2011	389,847				
A.6.i. Contract MSIP W NCB		278,445	278,445	-	-	-
A.6.ii. Contract MSIP W ICB		271,679	271,679	-	-	-
Returned sub-loan funds		(160,277)	(160,277)	-	-	-
Remaining loan funds		-	389,847	-	-	-
PEHCEVO						
A.7 Sub Loan MSIP 07- PEHCEVO (Vehicles for solid waste)	Sub-loan MSIP 07/ 6 April 2011	68,551				
Municipal co-financing		10,623				
A.7.i. Contract MSIP W NCB		78,834	78,834	-	-	-
Remaining loan funds		340	78,834	-	-	-
VELES						
A.8 Sub Loan MSIP 08-1 - VELES (Extension of water supply system)	Sub-loan MSIP 08/ 12 April 2011	682,927				
A.8.i. Contract MSIP W NCB		623,976	549,488	74,488	-	-
Remaining loan funds		58,951	549,488	74,488	-	-
A.8 Sub Loan MSIP 08-2 - VELES (Street lighting)	Sub-loan MSIP 08-2/ 26 October 2012	378,543				
A.8.ii. Contract MSIP W NCB		-	-	-	-	-
Remaining loan funds		378,543	-	-	-	-
VEVCANI						
A.9 Sub Loan MSIP 09 - VEVCANI (Vehicles for solid waste and Backhoe)	Sub-loan MSIP 09/ 14 April 2011	99,686				
Municipal co-financing		6,666				
A.9.i. Contract MSIP W NCB- Lot 1**		53,190	53,190	-	-	-
A.9.ii. Contract MSIP W NCB-Lot 2**		53,162	53,162	-	-	-
Remaining loan funds		-	106,352	-	-	-
KRUSEVO						
A.10 Sub Loan MSIP10 - KRUSEVO (Vehicles for solid waste)	Sub-loan MSIP 10/ 31August 2011	49,218				
A.10. Contract MSIP W NCB 009-11		49,218	49,218	-	-	-
Remaining loan funds		-	49,218	-	-	-

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Statement of Breakdown of Loans and Grants (continued)		(Amounts in EUR)				
		Loan/grant amount	Cumulative for the period from 29 June 2009 through 31 December 2013 Paid loan/Grant amount	Remaining balance	Outstanding payments	Payment requests processed
Municipality	Loan/grant No. / WB approved date					
KICEVO						
A.11 Sub Loan MSIP 11 - KICEVO (Vehicles for solid waste and Street reconstruction)	Sub-loan MSIP 11/ 1 September 2011	764,227				
Municipal co-financing		8,000				
A.11.1 Contract MSIP G ICB 004-11		201,434	201,434	-	-	-
A.11.2 Contract MSIP W NCB 012-12		448,947	448,947	-	-	-
Remaining loan funds		121,846	650,381	-	-	-
NOVACI						
A.12 Sub Loan MSIP 12 - NOVACI (Street lighting)	Sub-loan MSIP 12/ 5 September 2011	130,711				
Municipal co-financing		4,077				
A.12.i Contract MSIP W NCB		134,788	130,711	4,077	-	-
Remaining loan funds		-	130,711	4,077	-	-
DOLNENI						
A.13 Sub Loan MSIP 13 - DOLNENI (Rehabilitation of local roads)	Sub-loan MSIP 13/ 31 August 2011	243,902				
Municipal co-financing		18,955				
A.13.i Contract MSIP W NCB		285,732	285,732	-	-	-
Remaining loan funds		-	285,732	-	-	-
GJORCE PETROV						
A.14 Sub Loan MSIP 14 - Gjorce Petrov (Streets reconstruction)	Sub-loan MSIP 14/ 20 November 2011	1,300,813				
Municipal co-financing		68,250				
A.14.i Contract MSIP W ICB		1,369,063	1,032,472	336,591	-	-
Remaining loan funds		-	1,032,472	336,591	-	-
GRADSKO						
A.15 Sub Loan MSIP 15 - Gradsko (Vehicle and bins for solid waste)	Sub-loan MSIP 15/ 17 November 2011	99,498				
A.15.i Contract MSIP G NCB		77,097	77,097	-	-	-
A.15.ii Contract MSIP G SH		22,401	22,401	-	-	-
Remaining loan funds		-	99,498	-	-	-

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Statement of Breakdown of Loans and Grants (continued)		(Amounts in EUR)				
		Cumulative for the period from 29 June 2009 through 31 December 2013		Remaining balance	Outstanding payments	Payment requests processed
Municipality	Loan/grant No. / WB approved date	Loan/grant amount	Paid loan/Grant amount			
VASILEVO						
A.16 Sub Loan MSIP 16 - Vasilevo (Construction of the water supply network)	Sub-loan MSIP 16/ 27 December 2011	383,578				
A.16.i Contract MSIP W NCB		383,578	383,578	-	-	-
Remaining loan funds		-	383,578	-	-	-
BOSILOVO						
A.17 Sub Loan MSIP 17-Bosilovo (Construction of bridge)	Sub-loan MSIP 17/ 6 May 2012	136,507				
A.17.i Contract MSIP W NCB		136,507	136,507	-	-	-
Remaining loan funds		-	136,507	-	-	-
MOGILA						
A.18 Sub Loan MSIP 18 - Mogila (Reconstruction of House of Culture)	Sub-loan MSIP 18/ 25 May 2012	180,856				
A.18.i Contract MSIP W NCB		180,856	180,856	-	-	-
Remaining loan funds		-	180,856	-	-	-
GOSTIVAR						
A.19 Sub Loan MSIP 19 - GOSTIVAR (Street lighting and Supply of basic equipment for public hygiene)	Sub-loan MSIP 19/ 12 July 2012	840,153				
Municipal co-financing		45,318				
A.19.i. Contract MSIP ICB		458,000	458,000	-	-	-
A.19.ii. Contract MSIP NCB		339,378	241,094	98,284	-	-
VAT and Customs		88,020	88,020	-		
Remaining loan funds		73	787,114	98,284	-	-
PRILEP						
A.20 Sub Loan MSIP 20 - PRILEP (Streets reconstruction)	Sub-loan MSIP 20/ 2 July 2012	500,069				
Municipal co-financing		90,223				
A.20.i. Contract MSIP NCB		591,843	591,843	-	-	-
Remaining loan funds		(1,551)	591,843	-	-	-

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Statement of Breakdown of Loans and Grants (continued)		(Amounts in EUR)				
		Cumulative for the period from 29 June 2009 through 31 December 2013		Outstanding payments	Payment requests processed	
Municipality	Loan/grant No. / WB approved date	Loan/grant amount	Paid loan/Grant amount			
CAIR			-	-		
A.21 Sub Loan MSIP 21 - CAIR (School/Kindergarten Insulation Project)	Sub-loan MSIP 21/ 29 October 2012	496,260				
Municipal co-financing		25,879				
A.21.i. Contract MSIP NCB		444,591	354,180	90,411	-	-
Remaining loan funds		77,548	354,180	90,411	-	-
GAZI BABA						
A.22 Sub Loan MSIP - GAZI BABA (Reconstruction of School)	Sub-loan MSIP 28/ April 19, 2013	1,472,905				
A.22.i. Contract MSIP NCB		1,177,967	118,375	1,059,592	-	-
Remaining loan funds		294,938	118,375	1,059,592	-	-
Municipal Services Improvement Project-Additional Financing						
BEROVO						
A.AF.01 Sub Loan MSIP 22 - BEROVO (Streets reconstruction)	Sub-loan MSIP 22/ October 10, 2012	391,039				
Municipal co-financing		1,370				
A.AF.1.i Contract MSIP W NCB		365,780	346,630	19,150	-	-
Remaining loan funds		26,629	346,630	19,150	-	-
MAVROVO ROSTUSE						
A.AF.02 Sub Loan MSIP 23 - MAVROVO ROSTUSE (Streets reconstruction)	Sub-loan MSIP 23/ December 4, 2012	133,332				
A.AF.2.i Contract MSIP W NCB		-	-	-	-	-
Remaining loan funds		133,332	-	-	-	-
VINICA						
A.AF.03 Sub Loan MSIP 24-1 - VINICA (Vehicles for solid waste)	Sub-loan MSIP 24-1/ December 4, 2012	141,897				
A.AF.3.i Contract MSIP G NCB		141,897	141,897	-	-	-
Remaining loan funds		-	141,897	-	-	-
A.AF.03 Sub Loan MSIP 24-2 - VINICA (Construction of storm water system and construction of street)	Sub-loan MSIP 24-2/ July 12, 2013	611,854				
A.AF.3.ii Contract MSIP W NCB		-	-	-	-	-
Remaining loan funds		611,854	-	-	-	-

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Statement of Breakdown of Loans and Grants (continued)		(Amounts in EUR)				
		Cumulative for the period from 29 June 2009 through 31 December 2013		Remaining balance	Outstanding payments	Payment requests processed
Municipality	Loan/grant No. / WB approved date	Loan/grant amount	Paid loan/Grant amount			
KRIVA PALANKA						
A.AF.04 Sub Loan MSIP - KRIVA PALANKA (Streets reconstruction)	Sub-loan MSIP 25 / November 11, 2012	838,409				
A.AF.4.i Contract MSIP W NCB		172,171	172,171	-	-	-
A.AF.4.ii Contract MSIP W NCB		609,241	430,527	178,714	-	-
Remaining loan funds		56,997	602,698	178,714	-	-
RANKOVCE						
A.06 Sub Loan MSIP - Rankovce (Streets reconstruction)	Sub-loan MSIP 27/ December 26, 2012	341,463				
A.AF.6 Contract MSIP NCB		278,963	168,165	110,798	-	-
Remaining loan funds		62,500	168,165	110,798	-	-
BOSILOVO						
A.05 Sub Loan MSIP 26-BOSILOVO (Streets reconstruction)	Sub Loan MSIP /26 December 27, 2012	400,087				
A.5.ii Contract MSIP W NCB		400,087	400,087	-	-	-
Remaining loan funds		-	400,087	-	-	-
PRILEP						
A.AF.07 Sub Loan MSIP 29 - PRILEP (Streets reconstruction)	Sub-loan MSIP 29/ May 21, 2013	789,193				
A.AF.1.i Contract MSIP W NCB		776,313	77,788	698,525	-	-
Remaining loan funds		12,880	77,788	698,525	-	-
PETROVEC						
A.AF.08 Sub Loan MSIP 30 - PETROVEC (Reconstruction of School)	Sub-loan MSIP 30/ May 14, 2013	1,424,856				
A.AF.1.i Contract MSIP W NCB		1,311,678	209,002	1,102,676	-	-
Remaining loan funds		113,178	209,002	1,102,676	-	-
CASKA						
A.AF.09 Sub Loan MSIP 31 - CASKA (Street reconstruction and water reservoir)	Sub-loan MSIP 31/ October 24, 2013	531,938				
A.AF.9.i Contract MSIP W NCB		-	-	-	-	-
Remaining loan funds		531,938	-	-	-	-

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Statement of Breakdown of Loans and Grants (continued)		(Amounts in EUR)				
		Loan/grant amount	Cumulative for the period from 29 June 2009 through 31 December 2013 Paid loan/Grant amount	Remaining balance	Outstanding payments	Payment requests processed
Municipality	Loan/grant No. / WB approved date					
PROBISHTIP						
A.AF.10 Sub Loan MSIP 32 - PROBISHTIP (Street reconstruction)	Sub-loan MSIP 32/ October 22, 2013	464,095				
A.AF.10.i Contract MSIP W NCB		-	-	-	-	-
Remaining loan funds		464,095	-	-	-	-
PEHCEVO						
A.AF.11 Sub Loan MSIP 33 - PEHCEVO (Street reconstruction)	Sub-loan MSIP 33/ December 10, 2013	125,289				
A.AF.11.i Contract MSIP W NCB		-	-	-	-	-
Remaining loan funds		125,289	-	-	-	-
COMPONENT C:						
Municipal Services Improvement Project-Additional Financing						
KOCANI						
C.01 KOCANI GA-01	GA MSIP 01 / December 26,2012	60,029				
		60,029	60,029	-	-	-
Remaining loan funds		-	60,029	-	-	-
CITY OF SKOPJE						
Municipal co-financing	GA MSIP 02 / December 28,2012	148,156				
C.02 CITY of SKOPJE GA-02		2,282				
		150,438	-	150,438	-	-
Remaining loan funds		-	-	150,438	-	-
VEVCANI						
Municipal co-financing	GA MSIP 03 / December 26,2012	19,883				
C.03 VEVCANI GA-03		8,618				
		28,456	28,456	-	-	-
Remaining loan funds		45	28,456	-	-	-
VASILEVO						
Municipal co-financing	GA MSIP 04/ November 11,2013	38,201				
C.04 VASILEVO GA-04		28,981				
		-	-	-	-	-
Remaining loan funds		67,182	-	-	-	-

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Statement of Withdrawals – Designated Account

(Amounts in EUR)			
For the period from 01 January 2013 through 31 December 2013			
Application # and date	Total Requested	Total Disbursed	Difference
Original Loan 7699-MK			
#1/ February 5, 2013	1,497,741	1,497,741	-
#2/ July 31, 2013	1,266,322	1,266,322	-
#3/ November 11, 2013	1,216,292	1,216,292	-
	3,980,355	3,980,355	-
Additional Financing 8158-MK			
#1/ February 18, 2013	600,000	600,000	-
#2/ July 31, 2013	1,500,000	1,500,000	-
	2,100,000	2,100,000	-

(Amounts in EUR)			
For the period from 01 January 2012 through 31 December 2012			
Application # and date	Total Requested	Total Disbursed	Difference
Original Loan 7699-MK			
#1/ May 10, 2012	1,394,964	1,196,815	198,149
#2/ September 7, 2012	1,652,685	1,652,685	-
	3,047,649	2,849,500	198,149

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Statement of Designated Account – EUR

Account number	0701-978-001129.6
Depository Bank	National Bank of the Republic of Macedonia
Address	Complex of Banks, 1000 Skopje, Republic of Macedonia
Loan Number	7699-MK
Currency	EUR

(Amounts in EUR)

	For the period from
01 January 2013 through 31 December 2013	01 January 2012 through 31 December 2012

At 01 January	459,035	1,412,994
Add: Inflows		
Replenishment during the period	3,980,355	2,849,500
Interest received	5,545	6,478
	3,985,900	2,855,978
Deduct: Outflows		
Transfer to treasury account (Mirror designated account) - MKD	(3,610,261)	(3,803,459)
Interest paid to Ministry of Finance	(5,545)	(6,478)
	(3,615,806)	(3,809,937)
At 31 December	829,129	459,035

Account number	0701 -978- 001360.4
Depository Bank	National Bank of the Republic of Macedonia
Address	Complex of Banks, 1000 Skopje, Republic of Macedonia
Loan Number	8158-MK
Currency	EUR

(Amounts in EUR)

	For the period from
01 January 2013 through 31 December 2013	01 January 2012 through 31 December 2012

At 01 January	-	-
Add: Inflows		
Replenishment during the period	2,100,000	-
Interest received	3,939	-
	2,103,939	-
Deduct: Outflows		
Transfer to treasury account (Mirror designated account) - MKD	(1,946,268)	-
Interest paid to Ministry of Finance	(3,939)	-
	(1,950,207)	-
At 31 December	153,732	-

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 31 December 2013

Statement of Treasury Account (Mirror Designated Account) – MKD

Account number	090010016778666
Depository Bank	National Bank of the Republic of Macedonia
Address	Complex of Banks, 1000 Skopje, Republic of Macedonia
Loan Number	7699-MK
Currency	Macedonian Denars ("MKD")

(Amounts in EUR)
 For the period from
 01 January 2013 through 31 December 2013 01 January 2012 through 31 December 2012

At 01 January	142,204	99
Add: Inflows		
Transfer from designated account – EUR	3,610,261	3,803,459
Returned sub loan funds on treasury account*	160,277	-
	3,770,538	3,803,459
Deduct: Outflows		
Amount of eligible expenses paid during the period	(3,749,318)	(3,659,439)
Transfer to Petty Cash in Denar account	(979)	(980)
Transfer to Petty Cash in Euro account	(1,400)	(935)
	(3,751,697)	(3,661,354)
At 31 December	161,045	142,204

* On November 19, 2013 based on the mutual agreement between the Ministry of Finance and the Municipality of Stip (as signatories of the Agreement), the Government of the Republic of Macedonia made a decision to terminate Sub-loan Agreement No. MSIP 06/ 5 April 2011, before the completion of the sub-project "Arrangement of the central city area in Stip". According to the Sub-loan Agreement conditions the Municipality of Stip is obliged to return the used amount received prior to the termination of this Sub-loan agreement. On 17 December 2013, the Municipality of Stip returned portion of the disbursed sub-loan funds to the MSIP project. Those funds are deposited on the MSIP Treasury account and are used for financing of Project's eligible expenditures.

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Statement of Treasury Account (Mirror Designated Account) – MKD (continued)

Account number	090010016778685
Depository Bank	National Bank of the Republic of Macedonia
Address	Complex of Banks, 1000 Skopje, Republic of Macedonia
Loan Number	8158-MK
Currency	Macedonian Denars ("MKD")

(Amounts in EUR)	
	For the period from
01 January 2013 through	01 January 2012 through
31 December 2013	31 December 2012

At 01 January	-	-
<hr/>		
Add: Inflows		
Transfer from designated account – EUR	1,946,268	-
	1,946,268	
<hr/>		
Deduct: Outflows		
Amount of eligible expenses paid during the period	(1,946,268)	-
	(1,946,268)	-
<hr/>		
At 31 December	-	-
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Statement of Petty Cash in Denar Account

Loan Number	7699-MK	
Currency	Macedonian Denars ("MKD")	
	(Amounts in EUR)	
	01 January 2013 through 31 December 2013	For the period from 01 January 2012 through 31 December 2012
At 01 January	167	71
Add: Inflows		
Transfer from Mirror Designated Account – MKD	979	980
	979	980
Deduct: Outflows		
Amount of eligible expenses paid during the period	(1,000)	(884)
	(1,000)	(884)
At 31 December	146	167

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Statement of Petty Cash in Euro Account

Loan Number	7699-MK	
Currency	EUR	
	(Amounts in EUR)	
	01 January 2013 through 31 December 2013	For the period from 01 January 2012 through 31 December 2012
At 01 January	852	46
Add: Inflows		
Transfer from Mirror Designated Account – MKD	1,400	935
	1,400	935
Deduct: Outflows		
Amount of eligible expenses paid during the period	(2,033)	(129)
	(2,033)	(129)
At 31 December	219	852

Notes to Project’s financial statements

1 General

On 29 June 2009, the Ministry of Finance of the Republic of Macedonia (MoF), entered into the Loan Agreement numbered 7699-MK with the International Bank for Reconstruction and Development (“IBRD”) for financing the “Municipal Services Improvement Project” (further referred to as “the Project”) in the amount of EUR 18,900,000. On 04 August 2009, IBRD accepted the evidence submitted in fulfilling the conditions precedent to the effectiveness of the Loan Agreement and consequently the Project and the Loan Agreement became effective on the aforementioned date. Reallocation of the loan proceeds was done on 20 December 2011. According to the amendment of the Loan Agreement signed on 7 June 2012, the Closing Date of the Project is 30 November 2017. In response to high demand of municipalities and allocation of funds under Component A in December 2011, MoF formally requested IBRD to Provide additional financing. The loan was signed on 7 June 2012 and funds became effective on 10 July 2012 for additional financing in the amount of EUR 37,200,000.

The following table underlines the categories of Eligible Expenditures that may be financed out of the proceeds of the Loan (“Category”), the allocation of the amounts of the Loan to each Category, and the percentage of expenditures to be financed for the Eligible Expenditures in each Category:

Category	Amount of the Loan allocated (expressed in Euro) Revised original values	Amount of the Loan allocated (expressed in Euro) Additional financing values	Total (expressed in Euro)	Percentage of the Expenditures to be financed
1. Sub-loans under Component A of the Project	16,540,650	31,473,000	48,013,650	100%
2. Goods, Works, Consultants’ services and Training for the Project	256,050	1,824,700	2,080,750	100%
3. Grants under Component C of the Project	1,300,000	2,902,000	4,202,000	100%
4. Operating Costs	756,050	907,300	1,663,350	100%
5. Front-end Fee	47,250	93,000	140,250	0.25%
Total	18,900,000	37,200,000	56,100,000	

According to the provisions of the Loan Agreement, the Borrower is liable to repay the principal amount of the Loan in semi-annual installments in the amount of EUR 1,181,250 payable each 15th February and 15th August, commencing 15 August 2014 through 15 February 2022. The Borrower is liable to pay to IBRD a front-end fee equal to 1/4 of 1% (0.25%) of the Loan amount and interest for each interest period equal to LIBOR for the Loan Currency plus a Variable Spread.

Notes to the Projects’ financial statements (continued)

2 Project Objectives, Activities and Institutional Arrangements

Project Objectives and Activities

The objective of the Project is to improve transparency, financial sustainability and delivery of targeted municipal services in the Participating Municipalities. The Project consists of four components:

Component A: Municipal Investments

Provision of Sub-loans to the Participating Municipalities to finance Sub-projects in the area of water and sanitation services, solid waste management and other revenue-generating or cost saving investments in communal services selected in accordance with the criteria and procedures set forth in the Project Operational Manual.

Component B: Capacity Building and Institutional Reform

1. Provision of consultants’ services and Training to the Participating Municipalities to assist with Sub-projects preparation and implementation.
2. Provision of consultants’ services and Training to the Participating Municipalities and their communal service enterprises to strengthen their capacity in service provision, communications and public outreach activities and in meeting the selection criteria for Performance-based Investment Grants under Component C of the Project.
3. Institutional strengthening of the Borrower’s national agencies through study of policy issues and strategy development related to the financial sustainability of municipal services.

Component C: Performance-based Investment Grants

Provision of Performance-based Investment Grants to selected Participating Municipalities that meet the performance criteria set forth in the POM as an incentive and reward for improving the performance of municipal service delivery.

Component D: Project Management, Monitoring and Evaluation

Strengthening the capacity of PMU, Participating Municipalities and their communal service enterprises for Project management, monitoring and evaluation through the provision of goods, consultant services, including Project audit, Training, and financing of Operating Costs.

Institutional Arrangements

At all times during the implementation of the Project the Borrower shall maintain the Project Coordination Committee with a composition, resources and terms of reference satisfactory to the Bank.

Throughout the duration of the Project the Borrower shall maintain the Project Management Unit responsible for overall management, coordination, monitoring and evaluation of the Project with a composition, staff, resources and terms of reference satisfactory to the Bank.

The Borrower shall carry out the Project in accordance with the Project Operational Manual and shall not amend, suspend, abrogate, repeal or waive any provision of said Manual without the prior approval of the Bank.

Notes to the Projects' financial statements (continued)

3 *Accounting policies*

Following are the principle accounting policies adopted in preparation of these financial statements. These accounting policies are consistently applied to all financial periods presented.

Basis of preparation

The accompanying financial statements have been prepared for the purposes of reporting to IBRD, on the activities of the Project related to the loan received for the completion of the Project's objectives, in accordance with the respective provisions set out in the Loan Agreement numbered 7699-MK and Loan numbered 8158-MK signed between the IBRD and MoF. These financial statements are prepared on the cash receipts and disbursement basis and include all Project - related expenditures incurred, which are financed under the provisions set out in Loan Agreement numbered 7699-MK dated 29 June 2009, Disbursement letter dated 29 June 2009 and Loan Agreement numbered 8158-MK dated 7 June 2012.

These instructions closely follow the World Bank's Disbursement Guidelines for Projects.

The financial statements have been prepared for the period from 01 January 2013 through 31 December 2013.

Currency translation

All accounts are kept in Euro as this is the reporting currency of the Project. Transactions denominated in currencies other than Euro are translated using the Buying Foreign exchange rates of the National Bank of the Republic of Macedonia for international payment operations of the government bodies of Republic of Macedonia prevailing at the date of the transaction.



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