



**Ministry of finance of the Republic of Macedonia**

*Public Debt Management Department*

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***Semiannual Report on Public Debt Management  
in the Republic of Macedonia for the period  
January-June 2006***

Skopje, September 2006

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## I. Introduction

Publishing the semi-annual report on public debt management is aimed at informing the Government of the Republic of Macedonia, in details and on regular basis, and introduce the public with, the feature of total public debt of the Republic of Macedonia, as well as on the steps undertaken during the first half of this year for efficient debt portfolio management in the Republic of Macedonia.

Semi-annual report is a summary of the results from the implementation of the Public Debt Management Strategy for the period 2006-2008 (Official Gazette of the Republic of Macedonia, no. 39/2006).

Also, the report included brief review on the objectives and the targets, i.e. the progress achieved during these six months.

**Public debt** of the Republic of Macedonia comprises government debt and all financial liabilities created through borrowing by the municipalities and the City of Skopje, as well as borrowing by the public enterprises and companies fully or predominantly owned by the state. Thus, Government of the Republic of Macedonia, the municipalities and the City of Skopje, public enterprises and companies fully or predominantly owned by the state can appear as public debt issuers.

This definition on public debt is included in the Public Debt Law (Official Gazette of the Republic of Macedonia, no. 62/2005) and it represents what is known as **national methodology** for calculating the public debt. Another methodology often used in practice to calculate public sector debt is included in the IMF Government Financial Statistics Manual, and it differs from the national methodology in the fact that in addition to the above-mentioned public debt issuers, when calculating the debt, it also includes the debt of the central bank.

As this Information is concerned, data on public debt (excluding government securities) in the overview tables will be calculated according to both methodologies (national and the IMF one), while the data in the charts will be calculated according to the national methodology.

## II. Review of current trends

### II.1. Macroeconomic trends in the first half of 2006

Regarding Q1 in 2006, gross domestic product (GDP) increased by 2.6% on annual basis, while industrial production in the same period increased by only 1.1%. Although at the beginning of this year the projections on the trends in the industrial sector envisaged an increase in the industrial production in this period by around 4.5%, weaker performance in steel industry (drop by 8.4%) and textile industry (drop by 6.8%), slowed down the growth in this sector. At the same time, more remarkable positive trends were noticed in the industry for construction materials, oil and food industry.

Such trends in the real sector reflected in the external sector as well. In fact, in the first half of 2006, export of goods increased by 4.1%, having the import of goods increased by around 5.8%. Thus, higher increase of import in relation to export caused increase on the trade deficit side in the amount of US\$ 651 million in the first six months, being 8.7% (or US\$ 52 million) higher in relation to the same period last year. According to the trends in the industry, export increase was noticed in the food industry, oil industry and industry for non-metal products, while decline was noticed in the base metal industry, tobacco and textile industry.

Inflation rate, measured through the costs of living, grew by 3.1% in the first half of 2006, being the highest level in the past 3 years. Such price movements were mainly result of the increase of the general price level at food products, increase of oil and oil derivative prices on the world stock exchanges, as well as changes at the excise on tobacco products.

In the first six months in 2006, total revenues of the central government budget amounted to Denar 50.2 billion (increase by 8.2% on annual basis), while total expenditures reached Denar 49.8 billion (increase by 6.7%), whereby there was a central government budget surplus in the amount of Denar 373 million. Such trends in the fiscal sector, together with the positive trends in the external sector (increase of the private transfers and FDIs, i.e. low current account deficit) created room to loosening the monetary policy and reducing the interest rates, as well as more passive policy of borrowing by the government on the domestic market. In fact, Mof, despite the current budget surplus, continued issuing government securities, mainly due to the second main objective of public debt management, being the development and sustainability of efficient domestic financial markets and provision of long-term and stable demand on the securities market. At end-June 2006, interest rate on CB bills amounted to 5.7%, which, in relation to end 2005, was a drop by 2.5 percentage points. Such signals by the Central Bank were partially accepted by the commercial banks, whereby nominal interest rates on short-term credits amounted to 11.3% at end-June, being a drop by 0.8 percentage points in relation to end-2005. At the same time, credits to private sector strongly grew by 22.5%.

### II.2. Public debt movements in first half in 2006

When analyzing public debt trends pursuant to **Law on Public Debt**, which excludes the debt stock of the National Bank of the Republic of Macedonia and the debt stock pertaining to issued treasury bills for monetary purposes, one can conclude that public debt was reduced by EUR 222 million in the period December 2005 – June 2006. In fact, public debt stock in the amount of EUR 1,992.2 million in December 2005 was reduced to **EUR 1,770.8 million** in June 2006 (Table no. 5).

As of 30<sup>th</sup> June 2006 inclusive, according to the **IMF** methodology, public debt amounted to **EUR 1,972.9 million**, i.e. 40.76% of GDP. According to the same methodology, general government debt amounted to EUR 1,770.8 million, i.e. 34.7% of GDP is within the Maastricht criteria on public debt, pursuant to which general government debt must not exceed 60% of GDP. Compared to 31<sup>st</sup> December 2005, public debt at end of first half in 2006 was lower by EUR 219 million, or by 7.7 percentage points in relation to GDP. Such drop was a result of the buyback of the debt towards the London Club of Creditors in January 2006. On the other

hand, foreign public debt at end of first half in 2006, compared to the one at end 2005, was lower by EUR 222 million as a result of the early buyback of the debt towards the London Club of Creditors and the restrictive policy of the Government regarding borrowing from abroad, to the end of realizing one of the objectives set in the Public Debt Management Strategy – continuous increase of domestic public debt for the account of reducing the foreign public debt. Regarding foreign creditors, changes occurred in the foreign public debt at end of first half in 2006 compared to 31<sup>st</sup> December 2005. Thus, debt towards multilateral creditors increased by 10.1 percentage points, and public debt towards private creditors dropped (Chart no.18). Analysing the movements in the domestic public debt in the same period, one can conclude that it increased at the end of first half in 2006 by EUR 2.9 million in relation to the domestic public debt at the end of 2005, mainly as a result of the introduction of treasury bills for monetary purposes, the share of which in the domestic public debt accounted for EUR 43.6 million.

From the point of view of **interest structure**, favourable changes also occurred in both domestic and foreign public debt. In fact, recognizing the objective of the strategy to increase the part of the debt with fixed interest rate, during the analysed period, one can notice increase of the foreign public debt with fixed interest rate (debt towards the London Club of Creditors with variable interest rate was replaced with a debt with fixed interest rate by issuing Eurobonds). Regarding the domestic debt, there was slight increase of the debt with fixed interest rate, as a result of the issued 2-year continuous government bond and the issued fifth issue of denationalisation bonds (Chart no. 14, no. 20 and no. 22 ).

Positive changes also occurred in the **currency structure** of public debt, to the end of increasing the part of the public debt denominated in domestic currency and the debt denominated in EUR. Thus, as a result of the buyback and the increased volume of issues of government securities in the first six months in 2006, debt denominated in EUR and Denars, compared to 31<sup>st</sup> December 2005, increased by 6.3 percentage points, i.e. by 1.3 percentage points respectively, and at the same time, as a result thereof, public debt denominated in US dollars dropped by 9.4 percentage points (Chart no. 15).

### **II.3. Issue of the first Eurobond of the Republic of Macedonia**

Republic of Macedonia had its first promotion on the international capital market in December 2005 by issuing the first Eurobond. As a result of the raised credit rating of the country and the successful roadshow of the team comprising representatives from the Ministry of finance and the National Bank of the Republic of Macedonia, interested foreign investors delivered offers in the amount of EUR 593 million, which was by 4 times more than the issued amount of the Eurobond (EUR 150 million). This enabled the creation of a broad base of investors – owners of Eurobond from Europe, America and Asia. Precisely, the issue was placed at 56 institutional investors globally, including 33% British investors, 31% German investors, 22.5% investors from other European countries (France, Italy, Switzerland, Greece, Slovenia, Cyprus), 12% American investors and 1.5% investors from Asia. Main investors are the investment banks, investment funds and asset management companies.

At the same time, credit rating agencies Standard and Poor's and Fitch awarded rating to the newly issued Eurobond as follows: BB + (with stable outlook) and BB (with positive outlook) respectively.

Issued Eurobond in the amount of EUR 150 million is with a 10-year maturity period and coupon interest rate of 4.625%.

Thus, Macedonia has been placed for the first time on the map of institutional investors in the world, who, by being interested, confirmed the already expected results from the macroeconomic and political stability, prosperity of Macedonia which is result of the prudent fiscal and monetary policy and its integration in EU and NATO.

Funds collected from the issued Eurobond are used for full buyback of the debt towards the London Club of Creditors and partially for increasing the foreign exchange reserves of the Republic of Macedonia.

Immediately after the issue, Eurobond started to be listed on the London Stock Exchange. Prices at which Eurobond was traded on the secondary market are shown in Chart No. 9. As one can notice, at the beginning, i.e. immediately after the issuance of the Eurobond, it was traded at relatively high prices due to the interest by

the foreign investors in the bond, as well as the positive developments in the Republic of Macedonia, such as the candidate country status for accession in the EU. This trend was maintained by end-March 2006, and it started declining at the beginning of April, i.e. foreign investors offered lower prices for the Macedonian bond. This downward trend can be interpreted as investors being cautious because of the parliamentary elections in the Republic of Macedonia.

#### **II.4. Buyback of the debt towards London Club of Creditors**

To the end of improving the structure of the debt portfolio, full buyback of the debt towards London Club of Creditors was carried out in January 2006. This activity employed the funds from the Eurobond issue.

Following effects were achieved with the buyback of the debt towards the London Club of Creditors:

- **Improvement of the interest structure of the public debt and realization of high level of savings in the Budget in the coming years.**

In general, through this transaction, there will be savings in the amount of EUR 123.23 million in the Budget of the Republic of Macedonia in the next 7 years, under the assumption that the conditions on the international markets would remain unchanged (which is practically a less realistic option, since all larger investment banks envisage that dollar interest rate will continue to grow - which actually happened in the past months – leading to increase of the expenditures of the Republic of Macedonia for the buyback of the debt with a variable interest rate in the coming years). Additionally, certain analyses, i.e. scenarios, have also been made, should the conditions on the international market change, pointing out that the Budget of the Republic of Macedonia would be even more exposed to expenditures if the US dollar gets stronger in relation to the euro in future. Analyses have confirmed the even greater economic justification of this transaction, in changed conditions on the international market (simultaneous increase of interest rates and dollar appreciation), which expressed in figures is a saving in the amount of around EUR 130 - 150 million, i.e. from EUR 9 to EUR 29 million per year, depending on the analysed year and scenario;

- **Improvement of government debt portfolio profile**, due to the fact that Eurobond is a standard instrument in the public debt portfolio, recognizable on the international market and its introduction contributes to a replacement of lower-reputation debt. Thus, by introducing Eurobonds, in addition to the standard government securities, Republic of Macedonia has acquired better benchmark in its debt portfolio;

- **By replacing the existing shorter-term debt (7 years) with Eurobonds with 10-year maturity period, the maturity of the debt portfolio of the Republic of Macedonia is extended.**

- **Avoidance of certain types of market risks, especially the risk of change of interest rates and risk of change of the exchange rate;**

This transaction has enabled replacement of the debt with variable interest rate, experiencing an upward trend on the international markets, with a debt with fixed interest rate of 4,625%, which compared to the other countries, can be deemed as relatively favourable. In addition, one of the goals set in the Public Debt Management Strategy was also realized, that being continuous increase of the EUR-denominated debt in relation to the other foreign currencies, i.e. US dollar-denominated debt was replaced with EUR-denominated debt.

#### **II.5. Fifth issue of denationalisation bond**

Pursuant to the Law on Issuance of Denationalisation Bonds in the Republic of Macedonia (Official Gazette of the Republic of Macedonia, no. 37/02), fifth denationalisation bond in the amount of EUR 34 million was issued on March 13, 2006 (in accordance with the published prospectus). Terms and conditions for the issuance of this bond are identical as for the first four issues, i.e. 10-year maturity period and 2% fixed interest rate. First instalment of this bond falls due on June 1, 2007.

Denationalisation bonds are listed on the Macedonian Stock Exchange AD Skopje. Trading with denationalisation bonds from this issue commenced on March 16, 2006 (Charts 5, 6 and 7).

## **II.6. Continuous government securities**

### ***II.6.1. Primary government securities market***

The policy of continuous issue of government securities continued in the first half of 2006. The focus was placed on the following:

- Increasing the issues of government securities

The stock of issued government securities as of December 31, 2005 was Denar 4.28 billion and in the next half of the year was higher by around one billion and as of June 30, 2006 it was Denar 5.22 billion. Total issued stock of government securities in the first six months of 2006 was Denar 6.3 billion, while the amount of net issues in the same period was Denar 0.9 billion. According to the projections for the 2006 Budget, Denar 3 billion are envisaged to be disbursed. Slight deviation from the projected net disbursement is due to the budget surplus in the current period.

- Increasing the maturity period of government securities

In the period January-June 2006, 3, 6 and 6-month T-bills were issued and one 2-year government bond. In creating the policy of issue of government securities, special emphasis is placed on extending their maturity period, i.e. greater amounts were offered of government securities with longer maturity period, rather than 3-month government securities. Also, according to the 2006 Calendar of issues of government securities, until the end of the year, issue of the first 3-year government bond is planned, which is another element for extending the maturity period of government securities (Chart 4).

- Greater attractiveness of government securities and expansion of the base of foreign investors

As a result of the promotional campaign for investment in government securities and the enhancement of the portfolio with government securities with various maturity periods, especially those with longer maturity periods, the investors show increasing interest. This could be observed in the demand and the realization of the auctions of government securities (Chart 1).

As a result of the greater demand, interest rates on government securities continuously decline and in the first half of 2006, they dropped on average by 1 to 2 percentage points, depending on their maturity period. Thereby, the biggest drop was noted in 3-month government securities due to the large demand for securities which doubled the offer in this period, with exception of few auctions, but also due to the greater investor confidence (Chart 2).

In the realized government securities in this period, there is a dominant share of banks, but also the share of other entities on the government securities market, such as insurance undertakings, savings houses, companies and physical persons is satisfactory (Chart 3).

### ***II.6.2. Secondary government securities market***

In parallel with the development of the primary market, secondary trading of government securities also developed. Trading is made on the Macedonian Stock Exchange AD Skopje and the OTC market.

One of the important novelties was the adoption of new Rulebook on the Manner and the Procedure for Trading and Settling Transactions in Securities on Over-the-Counter Market (Official Gazette of the RM, no. 71/06) which enables trading in government bonds on the over the counter market (excluding the bonds for payment of the foreign currency deposits of citizens and the denationalisation bonds) on the over the counter market. These rules shall enter into force as of July 1, 2006 and thus another segment of the government securities market is expected to be completed and functioning. Trading on the OTC market does not bear transaction costs and the settlement is made in real time. In the period January-June 2006, 16 transactions in treasury bills were carried out on the OTC market (Chart 8).



### **II.6.3. Introduction of government securities for monetary purposes**

The Mof, in agreement with the NBRM, in March 2006 launched the issue of government securities for monetary purposes. In the first half of 2006 six auctions of government securities for monetary purposes were held, issued at regular auctions of government securities, with the same features as the regular government securities.

The stock of issued government securities for monetary purposes as of June 30, 2005 was Denar 2.67 billion. On the other hand, total issued stock of government securities for monetary purposes in the first six months of 2006 was Denar 4.07 billion, while the amount of net issues in the same period was Denar 2.63 billion (Table 7).

The main reason issuance of government securities for monetary purposes is to gradually eliminate of the government securities market segmentation, i.e. between Central Bank bills and the treasury bills of the Mof, as well as to create a homogenous government securities market, through which the NBRM will be able to better monitor the market signals of the participants and to strengthen its transmission mechanisms, increasing the banks' responsiveness to the activities undertaken by the monetary authorities.

### **II.7. Issued guarantees**

#### **•Guarantee issued for Macedonian Railways Reform Project**

In February 2006, the state issued a guarantee for the credit extended by the International Bank for Reconstruction and Development for the realization of the Macedonian Railways Reform Project.

The loan is in the amount of EUR 15 million and is awarded under the terms and conditions of the International Bank for Reconstruction and Development - World Bank, i.e. 17-year repayment period, with 5-year grace period included, and interest rate LIBOR + 0.75% (with a variable band).

The project will be divided in two categories, as follows: **PART A**, comprising improvement of the efficiency of the infrastructure facilities, covering the procurement to be carried out by the PE "Macedonian Railways", and then by its successor, i.e. the new infrastructure company, and **PART B**, covering the restructuring, improvement and efficiency of the transportation part, including procurement to be carried out by PE "Macedonian Railways" C.O. Skopje at first, and then by its successor, i.e. the new transport company. To that end, pursuant to the adopted Law on Transformation of PE Macedonian Railways C.O. Skopje, two new companies are to be established as follows:

- Public enterprise for railway infrastructure Macedonian Railways - Skopje; and
- Transport joint stock company Macedonian Railways Transport - Skopje.

#### **•Guarantee for the project AD MEPSO - transmission of electricity and management with the electricity system**

In March 2006 sovereign guarantee was issued, guaranteeing the settlement of the liabilities and the fulfilment of the provisions of the Loan Agreement for the project AD Mepso, signed between the AD MEPSO - transmission of electricity and management with the electricity system, in state ownership and the International Bank for Reconstruction and Development. The approved loan is in the amount of EUR 20.700.000 and the repayment period is 17 years, including 5-year grace period and annual interest rate LIBOR + 0.75%.

#### **–Guarantee for the credit from DEPFA BANK for the implementation of the project HEC „Sv. Petka“ by AD „Riko“ - Ljubljana**

In May 2006 the Parliament of the Republic of Macedonia adopted a Law guaranteeing the settlement of the financial liabilities under the loan agreement for the project HEC "Sv. Petka", signed between AD ELEM and DEPFA Investment Bank limited from Nicosia, Cypress. The approved loan was in the amount of EUR 41.037.621 under the following terms:

- interest: EURIBOR: +2,75% p.a.;
- commitment fee: 0.80% p.a.;
- repayment period: 16 years;
- grace period included in the repayment period: three years and six months;

-default interest: EURIBOR: +4,75%.

The Agreement also includes a possibility for AD ELEM and DEPFA to negotiate on replacing the variable interest rate with fixed interest rate.

## **II.8. Newly concluded loans**

### **•Loan for the Legal and Judicial Implementation Reforms and Institutional Support Project**

In May 2006 the Parliament of the Republic of Macedonia enacted the Law on Borrowing a Loan by the Republic of Macedonia from the International Bank for Reconstruction and Development under the Loan Agreement for the Legal and Judicial Implementation and Institutional Support Project. The Legal and Judicial Implementation and Institutional Support Project would be implemented in the next 5 years by the Ministry of Justice and would comprise the following components:

- Institutional capacity building;
- Improving court structure;
- Enhancing Judicial Information Technology Systems; and
- Providing consultants' services and training for expanding the analytical capacity of the Project Implementation Unit.

The approved loan was in the amount of EUR 10.000.000 under the following terms:

- repayment period: 17 years;
- grace period: 5 years;
- interest rate: LIBOR + 0,75% p.a.;
- commitment fee: 0.75% p.a.;
- the loan shall be repaid in 24 semi-annual annuities, starting from September 15, 2011, as of March 15, 2023.

The Ministry of Justice is in charge of the enforcement of the Loan Agreement for the Legal and Judicial Implementation and Institutional Support Project.

Loan beneficiaries are the Ministry of Justice and the Court Budget Council.

### **•Loan for realization of the second stage of the Programme for the Rationalisation of the Management System and Modernisation of Biomedical Technology of the Health Sector**

In May 2005 the government of Macedonia signed the Agreement on Borrowing by the Republic of Macedonia from the Government of Italy, pursuant to the adopted Law on Borrowing by the Republic of Macedonia from the Government of Italy for realization of the second stage of the Programme for the Rationalisation of the Management System and Modernisation of Biomedical Technology of the Health Sector (Official Gazette of the RM no. 112/2005). The approved loan was in the amount of EUR 2,582,285 and will be used under the following terms:

- Interest: 0.00 %;
- Repayment period: 39 years;
- Grace period included in the repayment period: 19 years.

The loan proceeds would be used for procurement of equipment for the health organizations the needs of which have been previously determined and defined.

This stage was preceded by a stage involving promotion of the system for maintenance and control of the medical equipment in Macedonia. This stage was completed by using grant funds in the amount of EUR 1.291.143,00.

### III. Public debt management activities

#### III.1. Funds disbursed on the basis of external debt

Table 1  
Disbursements on the basis of concluded and newly concluded credits

EUR million

Sector/debtor/creditor	I	II	III	Q1	IV	V	VI	Q2	Q1+Q2
<b>Public sector</b>	<b>0.94</b>	<b>5.83</b>	<b>1.55</b>	<b>8.31</b>	<b>5.04</b>	<b>3.91</b>	<b>6.10</b>	<b>15.05</b>	<b>23.37</b>
<b>Government of the Republic of Macedonia</b>	<b>0.94</b>	<b>1.83</b>	<b>1.55</b>	<b>4.31</b>	<b>5.04</b>	<b>3.86</b>	<b>6.10</b>	<b>15.00</b>	<b>19.32</b>
<b>Multilateral creditors</b>	<b>0.15</b>	<b>1.39</b>	<b>1.21</b>	<b>2.75</b>	<b>3.45</b>	<b>3.16</b>	<b>5.32</b>	<b>11.93</b>	<b>14.68</b>
IBRD	0.00	0.37	0.12	<b>0.49</b>	0.72	0.63	1.51	<b>2.87</b>	<b>3.35</b>
IDA	0.15	0.37	0.24	<b>0.75</b>	0.58	0.44	1.08	<b>2.09</b>	<b>2.85</b>
IFAD	0.00	0.01	0.20	<b>0.21</b>	0.00	0.45	0.00	<b>0.45</b>	<b>0.66</b>
CEDB	0.00	0.00	0.00	<b>0.00</b>	1.70	0.00	0.00	<b>1.70</b>	<b>1.70</b>
EBRD	0.00	0.64	0.66	<b>1.30</b>	0.45	1.64	2.73	<b>4.81</b>	<b>6.11</b>
EIB	0.00	0.00	0.00	<b>0.00</b>	0.00	0.00	0.00	<b>0.00</b>	<b>0.00</b>
EU	0.00	0.00	0.00	<b>0.00</b>	0.00	0.00	0.00	<b>0.00</b>	<b>0.00</b>
<b>Bilateral creditors</b>	<b>0.79</b>	<b>0.44</b>	<b>0.34</b>	<b>1.57</b>	<b>1.59</b>	<b>0.70</b>	<b>0.78</b>	<b>3.07</b>	<b>4.64</b>
<b>Private creditors</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
<b>Public Enterprises</b>	<b>0.00</b>	<b>4.00</b>	<b>0.00</b>	<b>4.00</b>	<b>0.00</b>	<b>0.05</b>	<b>0.00</b>	<b>0.05</b>	<b>4.05</b>
<b>Multilateral creditors</b>	<b>0.00</b>	<b>4.00</b>	<b>0.00</b>	<b>4.00</b>	<b>0.00</b>	<b>0.05</b>	<b>0.00</b>	<b>0.05</b>	<b>4.05</b>
IBRD	0.00	0.00	0.00	<b>0.00</b>	0.00	0.05	0.00	<b>0.05</b>	<b>0.05</b>
EIB	0.00	4.00	0.00	<b>4.00</b>	0.00	0.00	0.00	<b>0.00</b>	<b>4.00</b>

Source: Mof and NBRM

\* Annex of disbursed funds by projects

#### III.2. Primary government securities market

Table 2  
Net issuance of continuous government securities and structural bonds

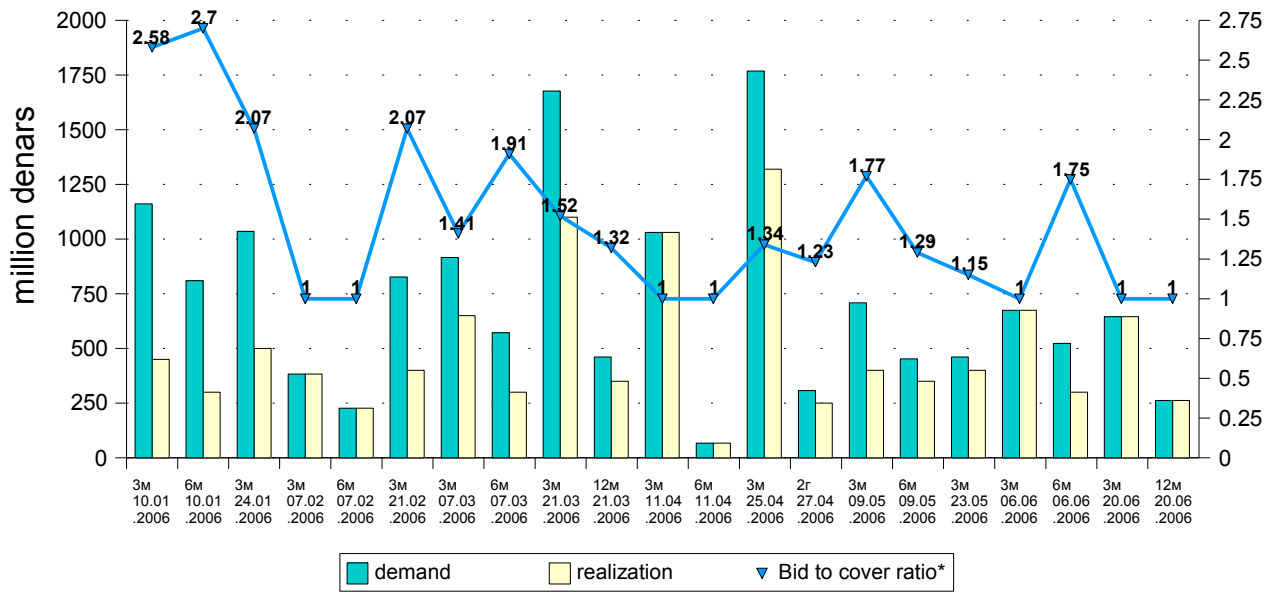
EUR million

	Jan 06	Feb 06	Mar 06	Apr 06	May-06	Jun-06	Total Jan-June 2006
<b>Total</b>	<b>2.25</b>	<b>2.78</b>	<b>32.40</b>	<b>-4.61</b>	<b>8.31</b>	<b>3.20</b>	<b>44.33</b>
3-month T-bills	-0.67	0.58	-5.58	-3.18	0.30	-1.60	<b>-10.14</b>
6-month T-bills	2.92	2.20	3.18	-1.43	3.96	1.60	<b>12.43</b>
12-month T-bills			5.25			3.19	<b>8.44</b>
2-year government bond					4.05		<b>4.05</b>
5 <sup>th</sup> denationalization issue			29.55				<b>29.55</b>

Source: Mof

Chart 1.

Demand and Realization on government securities on auctions in Jan-June 2006



Source: Mof

\*Bid-to-cover ratio – showing the coverage of the realization with demand

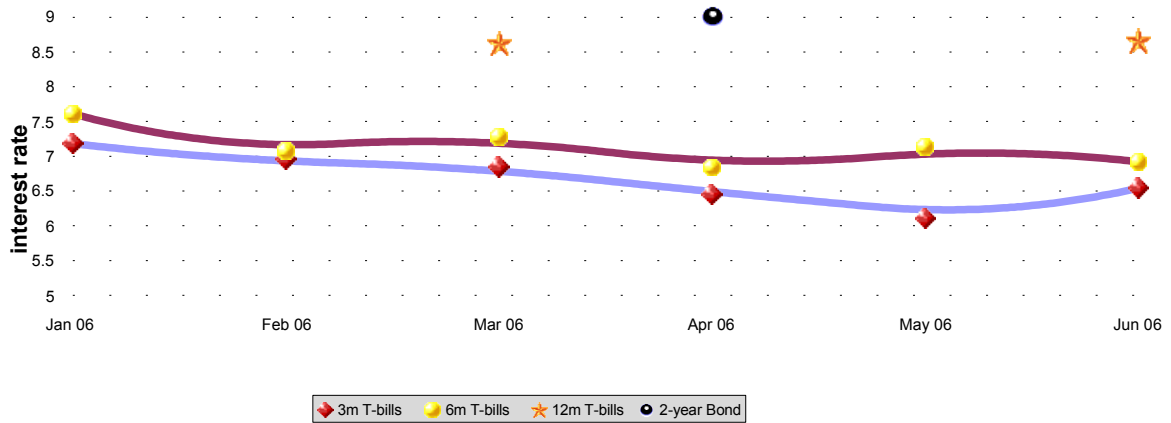
Table 3

Weighted interest rates on issued government securities

Date of auction	Weighted interest rate on 3-month T-bills	Weighted interest rate on 6-month T-bills	Weighted interest rate on 12-month T-bills	Weighted interest rate on 2-year government bond
Jan 06	7.18	7.61		
Feb 06	6.96	7.08		
Mar 06	6.85	7.28	8.62	
Apr 06	6.45	6.84		9.438
May 06	6.11	7.13		
Jun 06	6.54	6.92	8.66	

Source: Mof

Chart 2  
Weighted interest rates on issued government securities

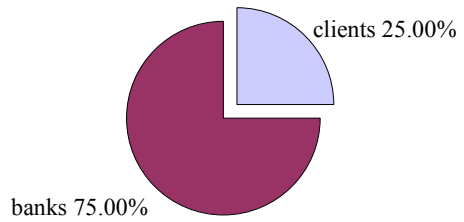
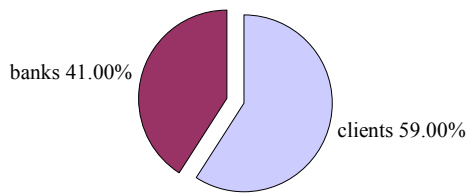


Source: Mof

Chart 3  
Ownership structure of continuous government securities

31.12.2005

30.6.2006

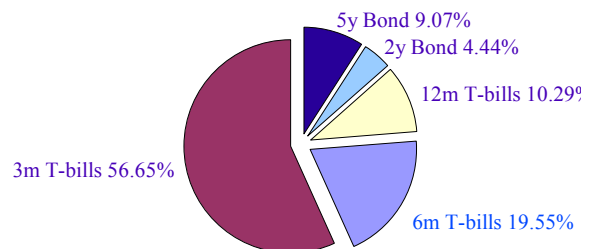
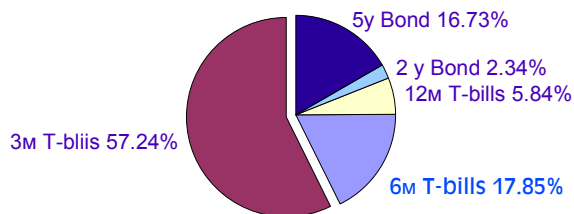


Source: Mof

Chart 4  
Maturity structure of continuous government securities

31.12.2005

30.6.2006

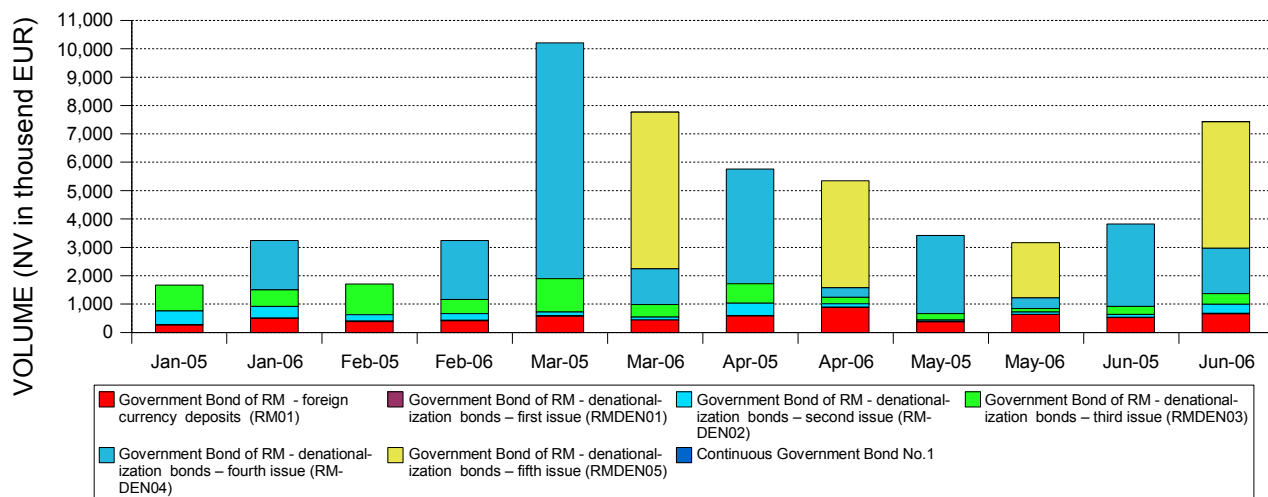


Source: Mof

### III.3. Secondary government securities market

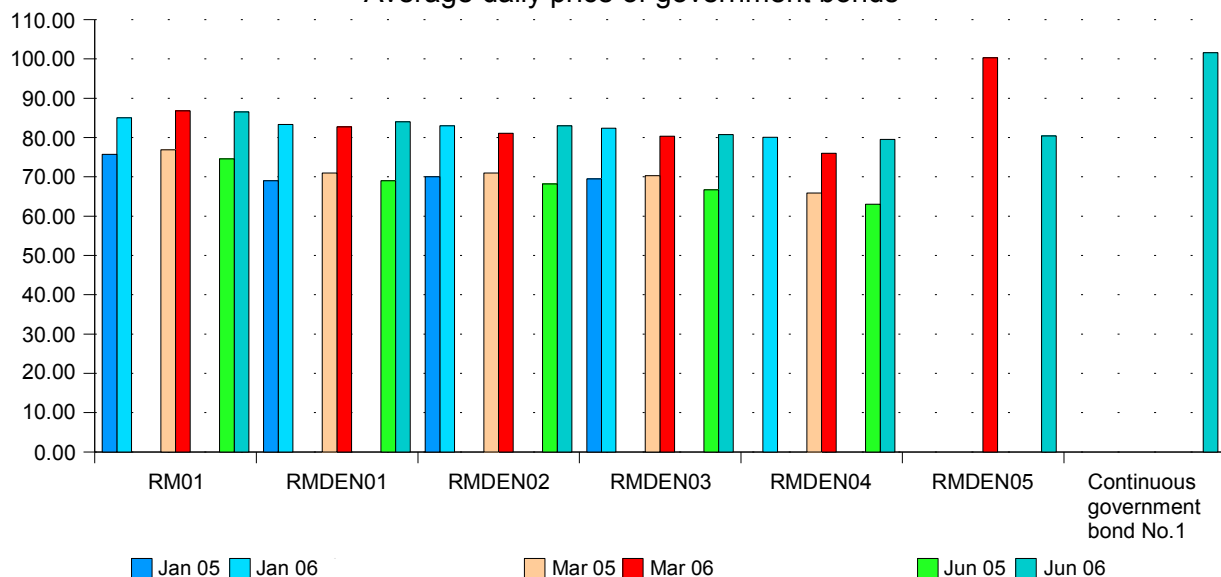
#### III.3.1. Macedonian Stock Exchange AD Skopje

Chart No.5  
Volume of trading with government bonds



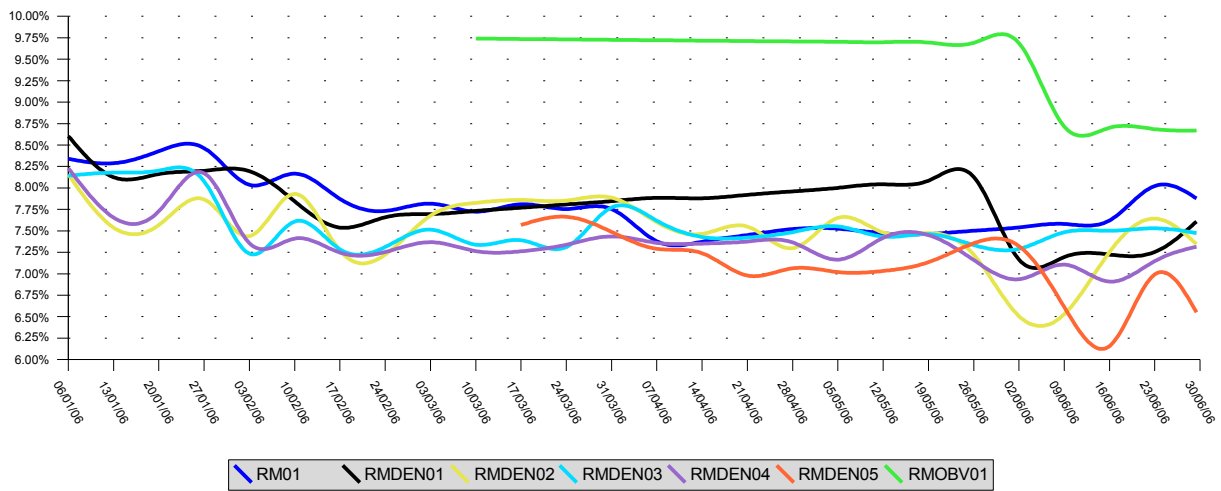
Source: Macedonian Stock Exchange AD Skopje

Chart No.6  
Average daily price of government bonds



Source: Macedonian Stock Exchange AD Skopje

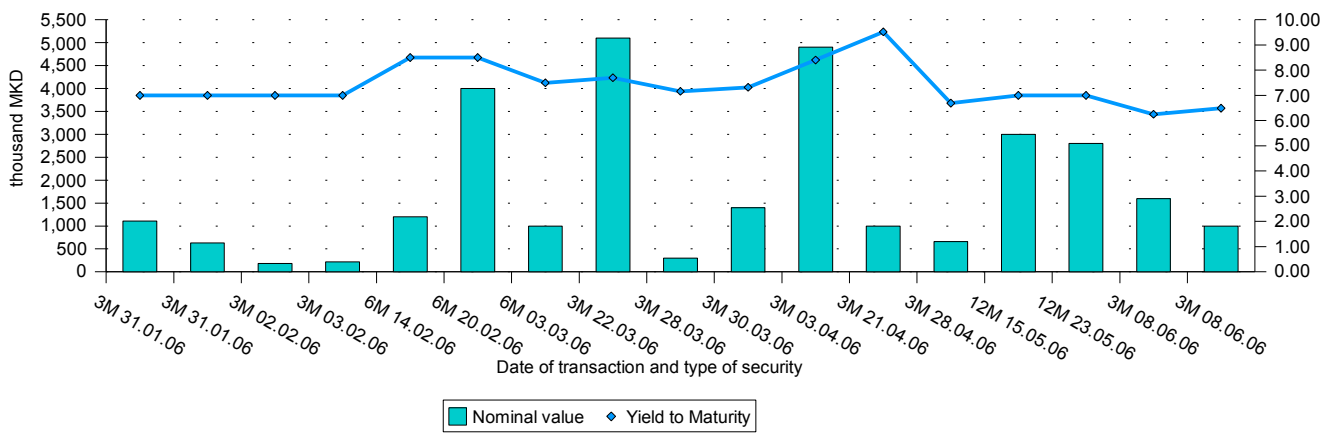
Chart No.7  
Yield to maturity(YTM) of government bonds



Source: Macedonian Stock Exchange AD Skopje

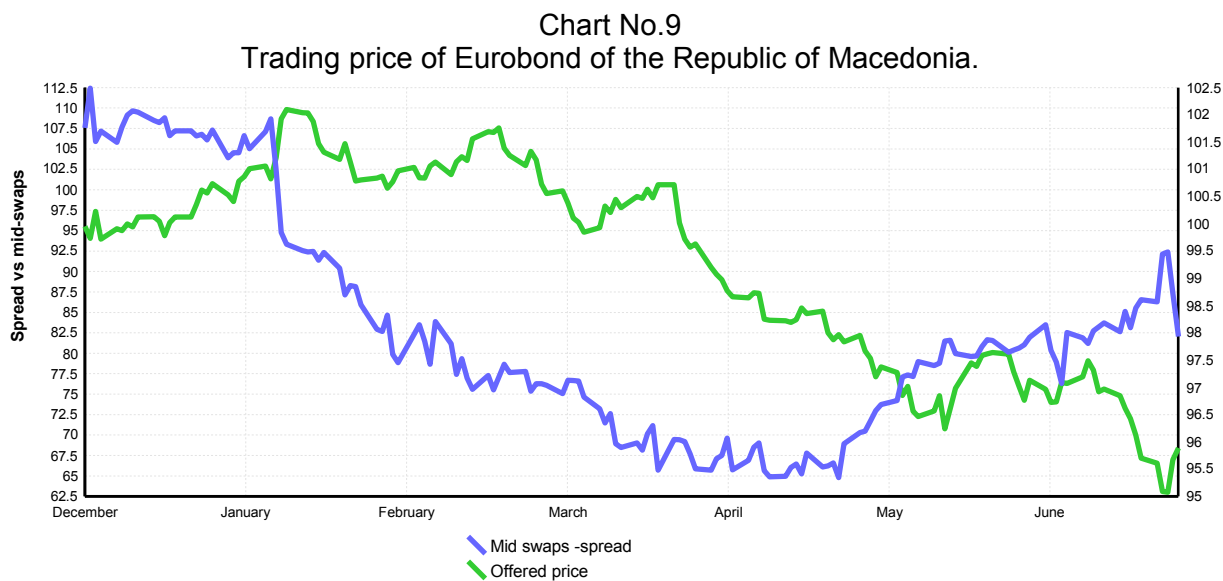
III.3.2. Over-the-counter market (OTC Market)

Chart No.8  
Concluded transactions on the OTC market in the period Jan-Jun 2006



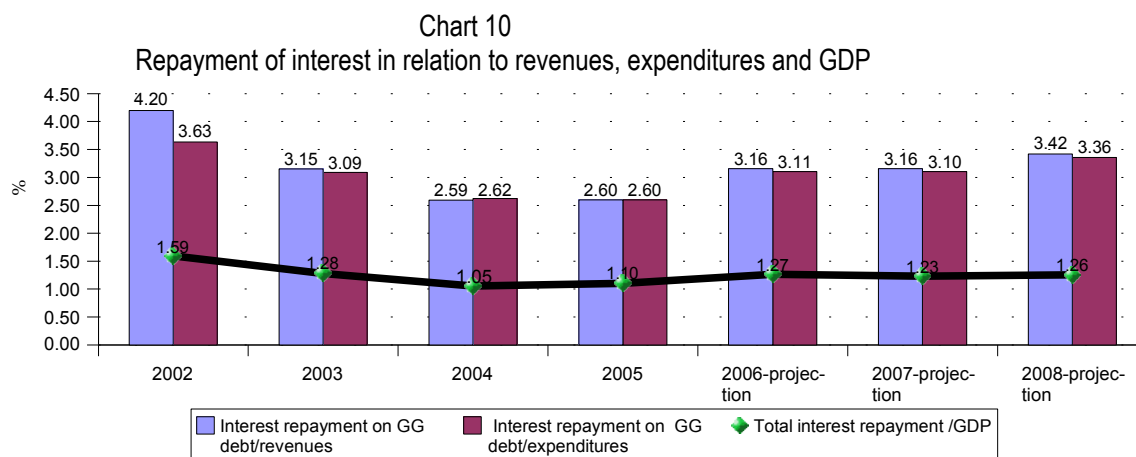
Source: NBRM

### III.3.3. International capital market



Source: Citigroup-Bloomberg

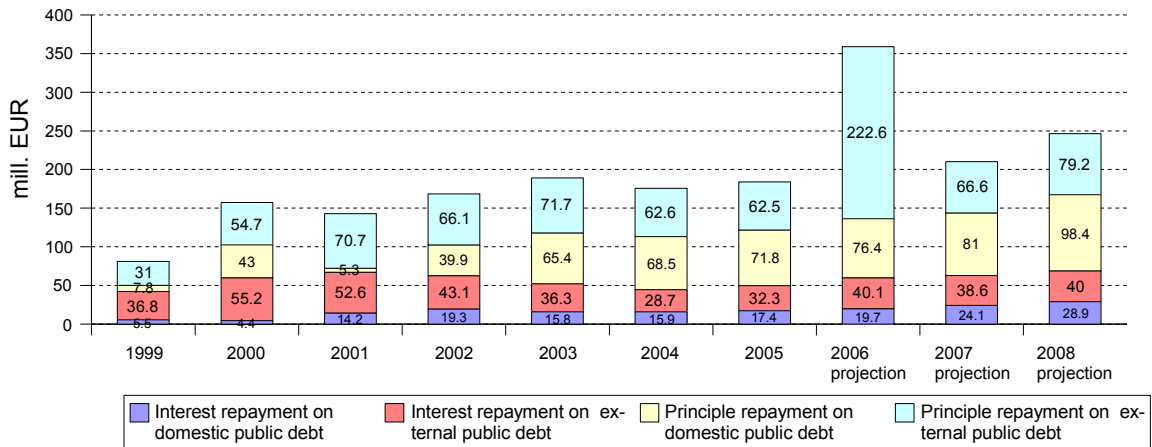
### III.4. Servicing the total public debt



Source: Mof and NBRM

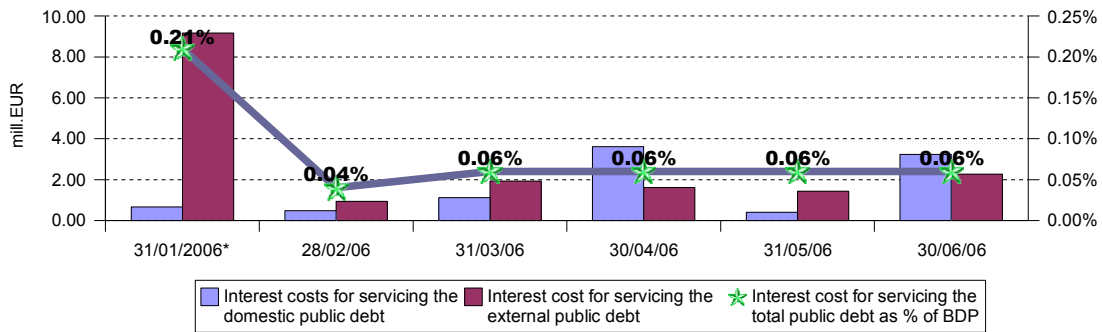


Chart 11  
Repayment of interest and principal on total public debt



Source: Mof and NBRM

Chart 12  
Interest costs for servicing the total public debt



Source: Mof and NBRM

\*On January 11, 2006, there was a buyback of the debt towards the London Club of Creditors with funds obtained from the issue of the Eurobond.

Table 4

Repayments on the basis of total public debt for the first half of 2006

EUR million

	Jan 06	Feb 06	Mar 06	Apr 06	May 06	Jun 06	Total
Interest payments on external public debt	9.17	0.94	1.93	1.62	1.44	2.27	17.38
Interest payment on domestic public debt	0.66	0.49	1.12	3.62	0.41	3.24	9.54
<b>Interest payment total public debt</b>	<b>9.83</b>	<b>1.42</b>	<b>3.06</b>	<b>5.23</b>	<b>1.85</b>	<b>5.52</b>	<b>26.92</b>
Principal payments on external public debt	200.97	1.73	3.40	3.70	0.60	3.07	213.47
Principal payments on domestic public debt	0.00	0.00	2.15	30.87	0.00	13.57	46.58
<b>Principal payments on total public debt</b>	<b>200.97</b>	<b>1.73</b>	<b>5.55</b>	<b>34.56</b>	<b>0.6</b>	<b>16.64</b>	<b>260.06</b>

Source: Mof and NBRM

## IV. Characteristics of the public debt portfolio

### IV.1. Total public debt

Table 5

Total public debt, according to the GFS Methodology and the Public Debt Law

EUR million

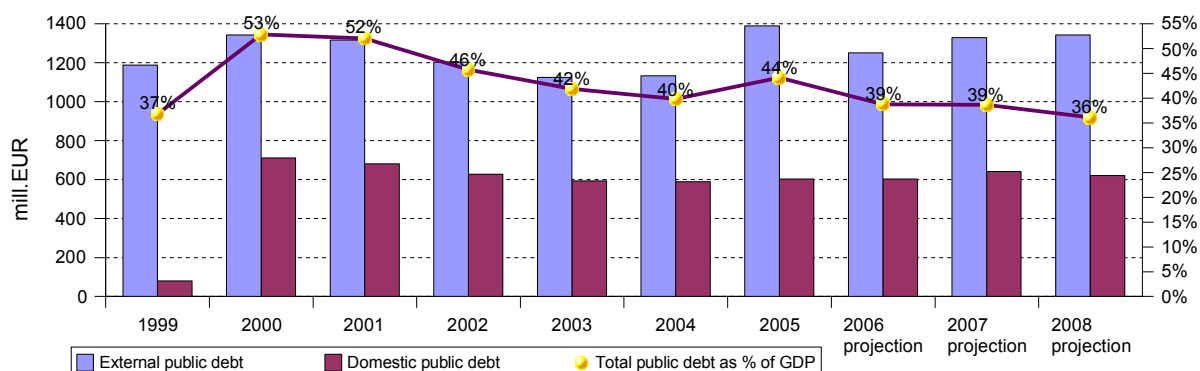
		Months	
		31/12/2005	30/06/2006
<b>External public debt*</b>		<b>1,441.16</b>	<b>1,219.60</b>
	General Government Debt	1,245.35	1,037.70
	Central Bank	52.66	47.82
	Public enterprises	143.15	134.08
<b>Domestic public debt</b>		<b>750.39</b>	<b>753.29</b>
	General Government Debt	603.66	642.70
	Continuous government securities for monetary purposes	0.00	43.64
	Central Bank	146.74	110.59
	Public enterprises**	N/A	1.52
<b>Total public debt according GFS methodology</b>		<b>2,191.55</b>	<b>1,972.89</b>
	Total public debt as percentage of average GDP	48.46	40.80
<b>Total public debt according Public debt Law</b>		<b>1,992.16</b>	<b>1,770.84</b>
	Total public debt as percentage of average GDP	44.05	36.59

Source: Mof and NBRM

\*In December 2005, first Eurobond was issued in the amount of EUR 150 million, which led to temporary increase of the external public debt, since these funds in January 2006 were used for full early buyback of the debt towards the London Club of Creditors.

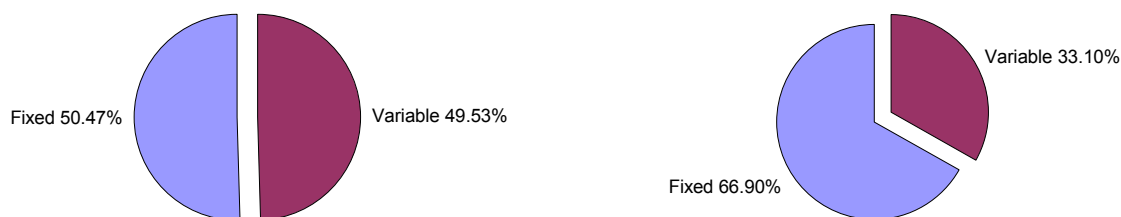
\*\*Since April 2006, public enterprises began submitting reports on the debt stock (in line with the Public Debt Law) to the Mof.

Chart 13  
Ratio between trend of the public debt and GDP



Source: Mof and NBRM

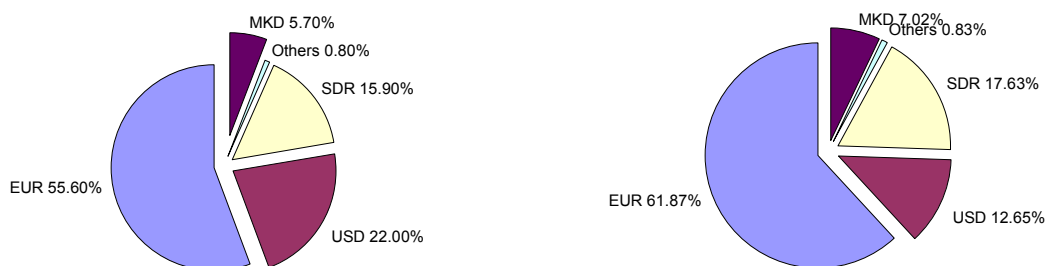
Chart 14  
Interest rate structure of the total public debt  
31.12.2005 30.6.2006



Source: Mof and NBRM

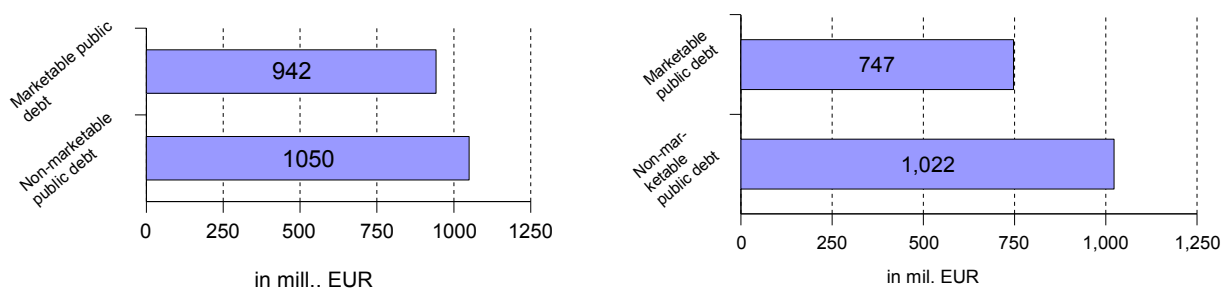
\*Selective credit bond is an interest-free debt and is not included in the interest structure of the total public debt

Chart 15  
Currency structure of the total public debt  
31.12.2005 30.6.2006



Source: Mof and NBRM

Chart 16  
Marketable/non-marketable total public debt  
31.12.2005 30.6.2006



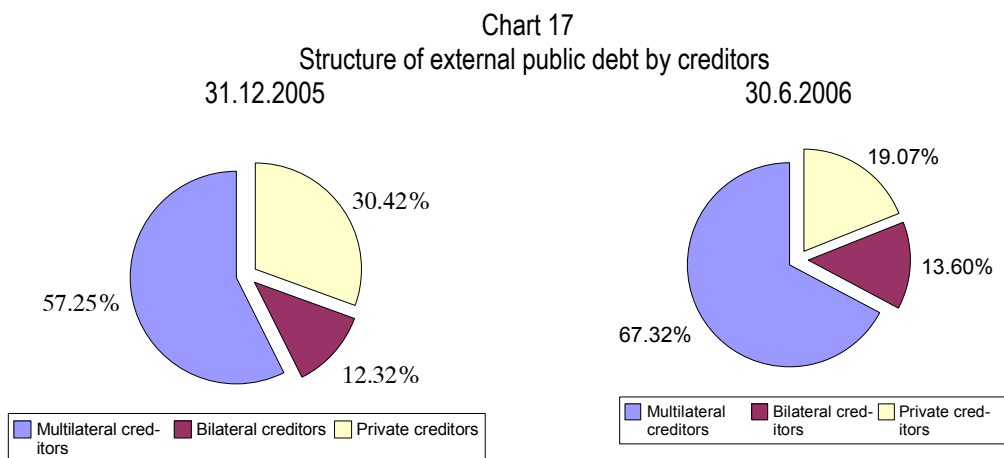
Source: Mof and NBRM

## IV.2. External public debt

Table 6  
External public debt by creditors and debtors *EUR million*

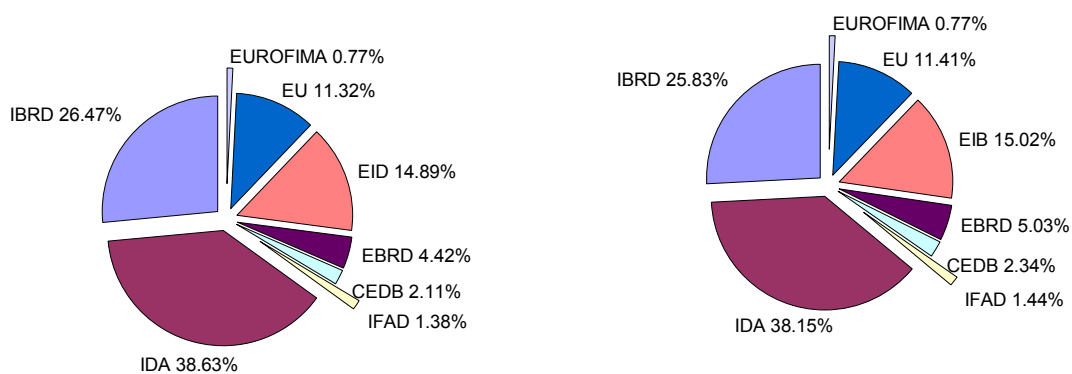
	31/12/05	30/06/06
<b>Public debt according to the GFS methodology</b>	<b>1,441.16</b>	<b>1,219.59</b>
<b>Public debt according to the Public debt Law</b>	<b>1,388.50</b>	<b>1,171.77</b>
<b>Government of Republic of Macedonia</b>	<b>1,245.35</b>	<b>1,037.69</b>
<b>Official creditors</b>	<b>906.09</b>	<b>887.03</b>
<b>Multilateral creditors</b>	<b>751.82</b>	<b>743.34</b>
IBRD	185.18	179.34
IDA	307.13	300.94
IFAD	10.97	11.36
CEB	16.78	18.48
EBRD	29.22	34.44
EIB	112.53	108.77
EU	90.00	90.00
<b>Bilateral creditors</b>	<b>154.27</b>	<b>143.69</b>
Rescheduled debt	102.31	89.85
Non rescheduled debt	6.63	6.63
Newly concluded loans	45.33	47.21
<b>Private creditors</b>	<b>339.26</b>	<b>150.66</b>
Eurobond	150.00	150.00
Other private creditors	189.26	0.66
Banks	189.26	0.66
Non banking private sector	0.00	0.00
<b>NBRM</b>	<b>52.66</b>	<b>47.82</b>
IMF	52.66	47.82
<b>Public enterprises</b>	<b>143.15</b>	<b>134.08</b>
<b>Official creditors</b>	<b>59.99</b>	<b>61.23</b>
<b>Multilateral creditors</b>	<b>43.14</b>	<b>45.52</b>
IBRD	25.25	24.41
EBRD	5.94	5.25
EIB	5.83	9.74
EUROFIMA	6.12	6.11
<b>Bilateral creditors</b>	<b>16.85</b>	<b>15.71</b>
Newlyconcluded creditors	16.85	15.71
<b>Private creditors</b>	<b>83.16</b>	<b>72.85</b>
Other private creditors	83.16	72.85
Banks	80.19	70.22
Non banking private sector	2.97	2.62

Source: NBRM



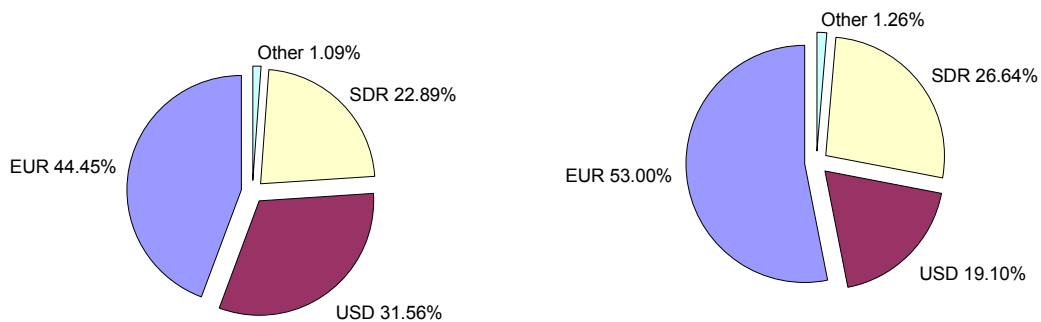
Source: Mof and NBRM

Chart 18  
Structure of external public debt by multilateral creditors  
31.12.2005 30.6.2006



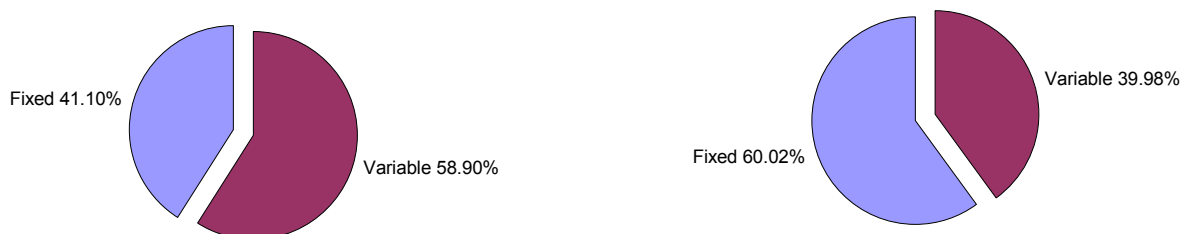
Source: Mof and NBRM

Chart 19  
Currency structure of external public debt  
31.12.2005 30.6.2006



Source: Mof and NBRM

Chart 20  
Interest rate structure of external public debt  
31.12.2005 30.6.2006



Source: Mof and NBRM

### IV.3. Domestic public debt

Table 7  
Domestic public debt, according to the GFS Methodology and the Public Debt Law

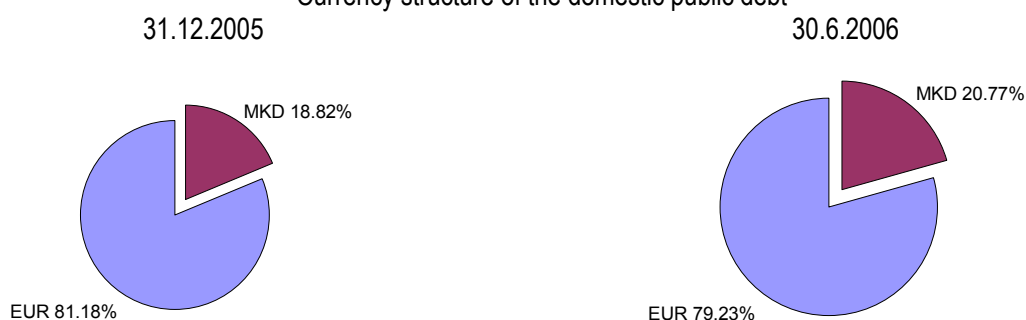
EUR million

Basis	Months						
	31/12/2005	31/01/2006	28/02/2006	31/03/2006	30/04/2006	31/05/2006	30/06/2006
<b>Domestic Public Debt according the GFS Methodology</b>	<b>750.39</b>	<b>775.47</b>	<b>766.32</b>	<b>806.84</b>	<b>799.73</b>	<b>783.22</b>	<b>751.77</b>
<b>Domestic Public Debt according the Public Debt Law</b>	<b>603.66</b>	<b>605.03</b>	<b>607.70</b>	<b>637.64</b>	<b>606.37</b>	<b>610.33</b>	<b>597.54</b>
General Government Debt*	603.66	605.03	607.70	660.53	655.42	659.36	641.18
Central Government Debt	603.46	604.83	607.50	660.33	655.22	659.16	640.98
Structural bonds	533.50	532.95	532.56	559.20	528.65	528.26	512.00
Stopanska Bank Rehabilitation Bond	26.61	26.51	26.61	26.62	21.30	21.29	21.29
Bond for selective credits	16.98	16.92	16.98	16.99	16.99	16.98	16.98
Stopanska Bank Privatisation Bond	77.24	77.24	77.24	75.10	75.10	75.10	72.95
Bond for old foreign exchange savings	306.50	306.50	306.50	306.51	280.97	280.97	280.90
Denationalisation Bonds	106.16	105.78	105.23	133.99	134.29	133.92	119.87
Continuous Government securities	69.96	71.87	74.94	101.12	126.58	130.90	128.98
o.w Treasury bills for monetary purposes	0.00	0.00	0.00	22.89	49.05	49.03	43.64
Municipalities	0.20	0.20	0.20	0.20	0.20	0.20	0.20
Central Bank	146.74	170.44	158.62	146.31	144.31	123.86	110.59
Public enterprises	N/A	N/A	N/A	N/A	1.16	1.10	1.52

Source: Mof

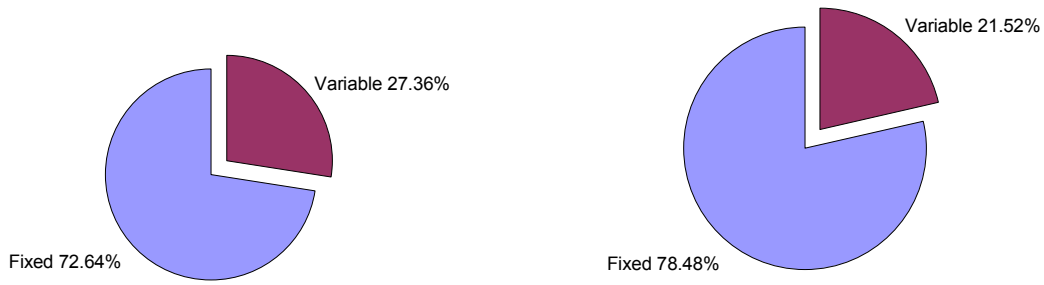
\*The general government debt includes treasury bills for monetary purposes issued by the Mof on behalf of and for the account of the National Bank, which uses them for running the monetary policy.

Chart 21  
Currency structure of the domestic public debt



Source: Mof

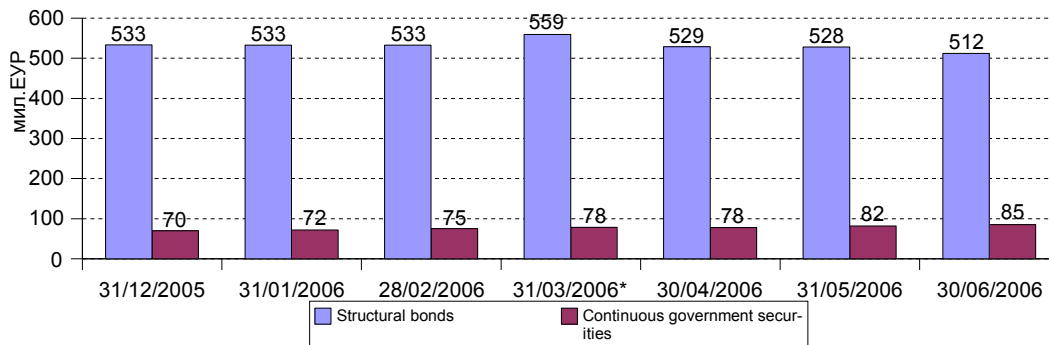
Chart 22  
Interest rate structure of the domestic public debt  
31.12.2005 30.6.2006



Source: Mof

\*Selective credit bond is an interest-free debt and is not included in the interest structure of the domestic public debt

Chart 23  
Ratio between structural bonds and continuous government securities

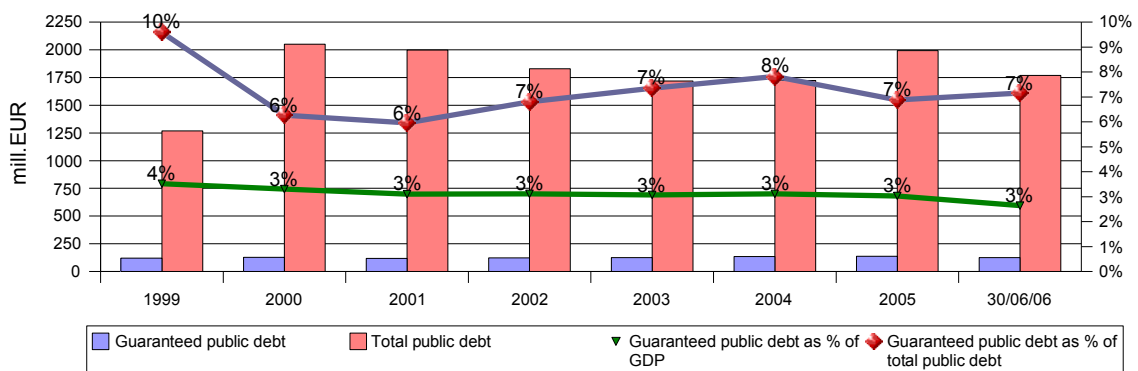


Source: Mof

\*In March 2006, fifth issue of denationalisation bond was launched.

#### IV.4. Guaranteed public debt

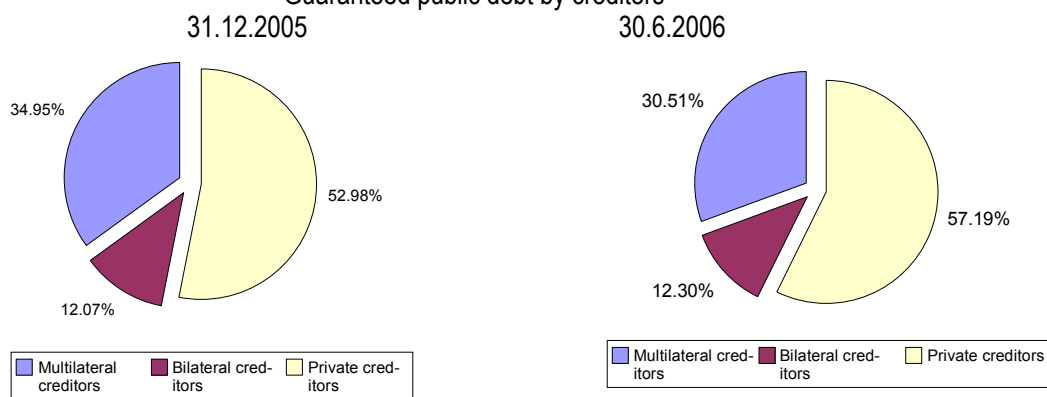
Chart 24  
Stock of guaranteed public debt



Source: Mof and NBRM



Chart 25  
Guaranteed public debt by creditors



Source: Mof and NBRM

## V. Table of objectives and quantitative targets

### V.1. Table of quantitative targets

In order to monitor the implementation of the Public Debt Management Strategy for the period 2006 - 2008 the table below compares the main parameters of the public debt portfolio as of December 2005 and June 2006 and the targets set in the Strategy.

Table 8  
Comparison of the public debt portfolio and the quantitative targets set in the Strategy

<b>Targets</b>	<b>Portfolio parameters as of December 2005</b>	<b>Portfolio parameters as of June 2006</b>	<b>Targets set in the 2006 Strategy</b>	<b>Targets set for the period 2006 - 2008</b>
Ratio between Public debt and GDP (Chart 27)	44.05%	36.59%	/	37%-41%
Ratio between General government debt and GDP (Chart 27)	40.89%	34.69%	/	35%-38%
Ratio between total guaranteed public debt and GDP (Chart 28)	3.05%	2.67%	/	3.8%-4.1%
New borrowings (Table 9)	EUR 125.48 million	EUR 69.41 million	EUR 180 million	/
Ratio between domestic and external debt (Chart 29)	External debt - 69.7% Domestic debt - 30.3%	External debt - 66.2% Domestic debt - 33.8%	External debt - 66% Domestic debt - 34%	/
Ratio between debt in domestic and foreign currency (Chart 30)	In foreign currency - 94% In domestic currency - 6%	In foreign currency - 93% In domestic currency - 7%	In foreign currency - 92% In domestic currency - 8%	/
Stock of total guaranteed public debt (Chart 28)	EUR 137.7 million	EUR 126.71 million	EUR 175 million	/

Source: Mof and NBRM

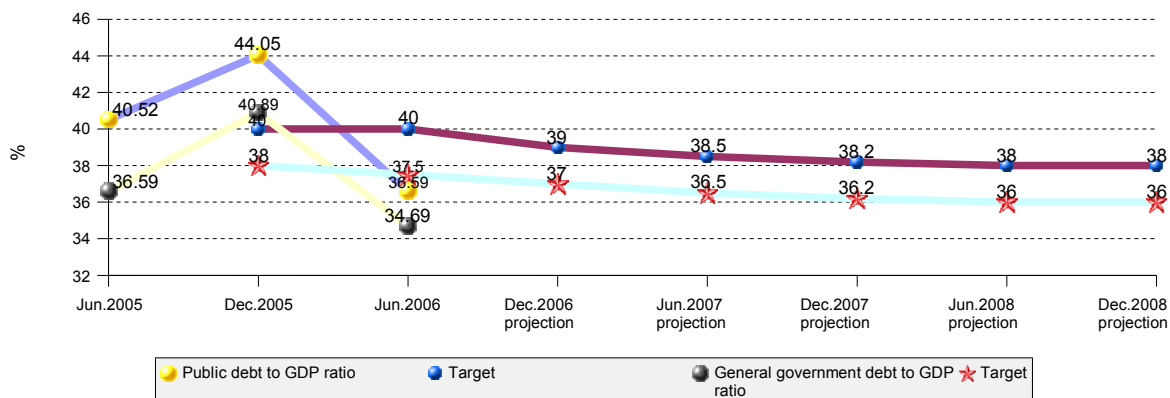
#### V.1.1 Ratio between Public debt and GDP

According to the target set in the Public Debt Management Strategy in relation to GDP in the period 2006 – 2008, the public debt shows a declining trend and would be between 37% and 41%, while within general government, it would show a declining trend ranging between 35% and 38% of GDP.

In December 2005 this target was exceeded and was 44.1% while the general government target was 40.1%. This public debt increase is due to the issue of the first Eurobond in the amount of EUR 150 million, and this amount was

used, in January 2006, for buyback of the debt towards the London Club of Creditors, thus offsetting this debt increase.

Chart 26  
Comparison of ratio between public debt/GDP and targets

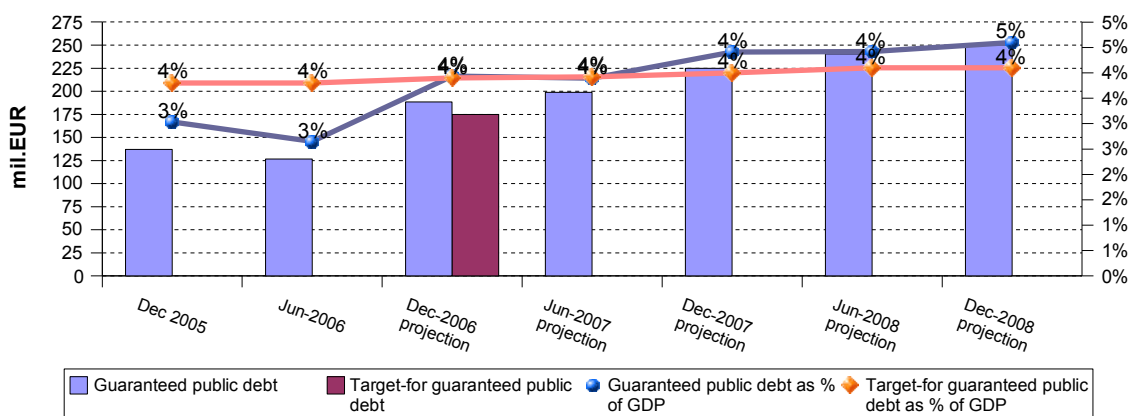


Source: Mof and NBRM

### V.1.2 Ratio between Guaranteed debt and GDP

In accordance with the limits for issuance of guarantees in the period 2006 – 2008, a trend of insignificant growth of the issued guarantees is expected, between 3.8% and 4.1% of GDP. According to the analyses, as of June 2006 the stock of the issued guarantees is below the set targets, however, as of June 2006, the stock of issued guarantees grew due to the newly issued (previously not planned) guarantee to the public electricity generation company “Elektrani na Makedonija” in the amount of EUR 41.04. Although the percentage of guaranteed debt to GDP slightly rose in relation to the set targets, still, this percentage is expected to decline in the next period by gradually repaying the guaranteed debt, as well as running restrictive policy when issuing new guarantees.

Chart 27  
Comparison of ratio between guaranteed public debt/ GDP and targets



Source: Mof and NBRM

### V.1.3. New borrowings

Total amount of the new borrowing in 2006 was expected to amount to EUR 180 million, EUR 49 million, out of which on the basis of issue of continuous government securities, while the remaining EUR 131 million on the basis of borrowing abroad. As of June 2006, borrowing on the basis of domestic public debt was EUR 44.33 million, while external borrowing was EUR 23.48 million.

By end-2006, borrowings on the basis of external debt are expected to reach EUR 154.32 million (which means overperforming), while domestic borrowing which is mainly due to the issue of the continuous government securities would be up to EUR 48.93 million.

Table 9  
New borrowings on the basis of domestic and external public debt

EUR million

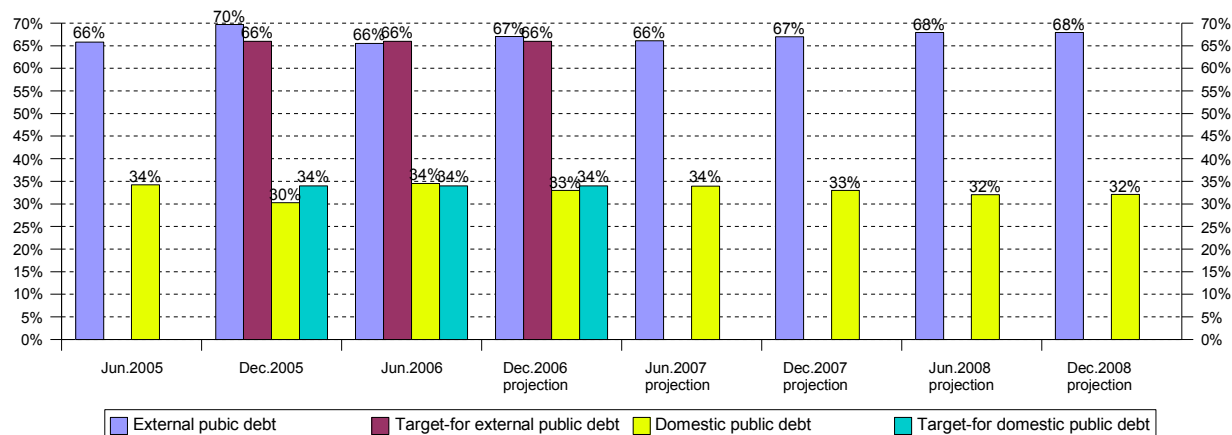
	Disbursed amount ян-июн-2006	Jan-Dec-2006 projection	Target for Jan- Dec- 2006	Jan-Dec-2007 projection	Jan-Dec-2008 projection
External borrowing	23.48	154.32	131.00	146.43	102.81
Domestic borrowing	44.33	48.93	49.00	57.09	65.24
Total	67.81	203.25	180.00	203.52	168.05

Source: Mof and NBRM

### V.1.4. Ratio between domestic and external public debt

The ratio between domestic and external public debt is expected to be within the target set for 2006, meaning 34% rather than 66%, while in the next period, the objective under the Public Debt Management Strategy is to reduce the external public debt and increase the domestic public debt.

Chart 28  
Comparison of ratio between domestic/external public debt and targets for 2006

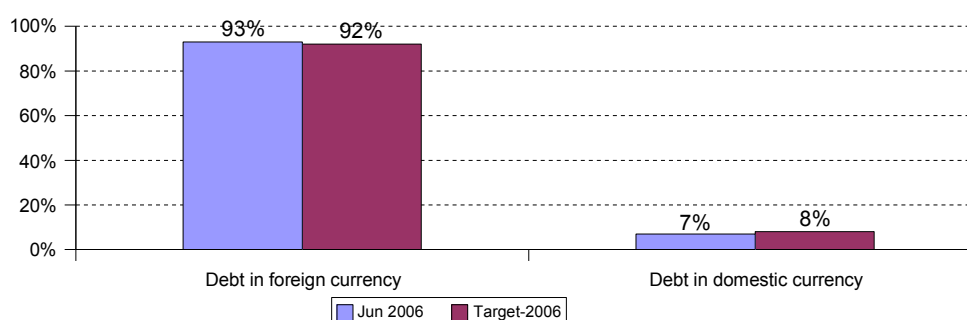


Source: Mof and NBRM

### V.1.5. Debt in foreign and domestic currency

Chart 29

Comparison of ratio between total public debt denominated in domestic/foreign currency and the targets for 2006



Source: Mof and NBRM

### V.2 List of objectives

Table 10

Comparison of the public debt portfolio and the objectives set in the Public Debt Management Strategy

<b>Strategy objectives</b>	<b>Public Debt Management Strategy targets</b>
Gradual increase in debt with fixed interest rate	by 2008, the fixed interest rate debt should range between 70% and 80% of the total public debt (Chart 14)
Increasing the portion of debt denominated in Denars	by 2008, the domestic currency debt should range between 15% and 20% of the total public debt (Charts 15 and 29)
Increasing the portion of debt denominated in EUR	by 2008, the EUR debt should be up to 60% of the total public debt (Chart 15)
Increasing the share of domestic public debt while decreasing external borrowing	(Charts 13 and 28)
Increasing the share of market instruments, while gradually decreasing the loans from official creditors	by 2008, increasing the borrowing with securities rather than with credits (Chart 16)
Extending maturity of the public debt	total maturity period of the debt should be over 5 years
Taking advantage of the opportunity for early repayment of public debt	the objective is to achieve favourable currency, interest and maturity structure as well as smooth profile of public debt repayments (Chart 5 and footnote of Table 5)
Ensuring smooth profile of repayments	no major concentration of payments in a single year (Charts 10, 11 and 12)
Restrictive approach for new borrowing or issuance of sovereign guarantees	reducing the issued guarantees and financing public projects (Chart 24)

Source: Mof

## VI. Annexes

### VI.1. Annex of disbursed funds by projects

	In Eur	Final beneficiaries	Funds Disbursed in 2005 projection	Funds Disbursed in 2005 realization	Index 5=4/3	Remained amount of non-disbursed funds at the end of 2005	Funds Disbursed for the period jan-jun 2006 projection	Funds Disbursed for the period jan-jun 2006 realization	Index 9=8/7	Total planned disbursements in 2006
	1	2	3	4		6	7	8		10
<b>I</b>	<b>Public sector</b>		<b>151,698,012</b>	<b>89,640,606</b>	<b>59</b>	<b>336,874,421</b>	<b>59,201,231</b>	<b>23,485,547</b>	<b>40</b>	<b>154,320,273</b>
<b>1</b>	<b>Multilateral creditors</b>		<b>127,963,785</b>	<b>82,997,146</b>	<b>65</b>	<b>225,873,379</b>	<b>44,974,080</b>	<b>18,729,195</b>	<b>42</b>	<b>93,886,368</b>
<b>1.1</b>	<b>IBRD/IDA</b>		<b>38,684,973</b>	<b>51,434,297</b>	<b>133</b>	<b>86,007,299</b>	<b>10,375,226</b>	<b>6,252,162</b>	<b>60</b>	<b>34,560,114</b>
1.1.1	Irrigation Rehabilitation and Restructuring Project	Ministry of Agriculture	2,996,614	2,043,650	68	3,698,545	1,060,186	1,632,850	154	1,554,936
1.1.2	TTFSE	Customs	2,630,587	2,308,068	88	584,463	584,463	608,168	104	279,090
1.1.3	Children and Youth Development Project	Agency for youth and sport	411,600	281,990	69	832,067	489,317	0	0	456,696
1.1.4	Community Development and Culture Project	Ministry of Culture	1,396,500	1,885,680	135	1,722,128	978,634	1,486,987	152	1,225,526
1.1.5	Community Development Project	Ministry for local government	3,160,500	1,934,406	61	1,394,499	815,528	750,766	92	1,342,946
1.1.6	Transport Sector Project – Macedonian Railways	Macedonian Railways	1,500,000	0	0	15,000,000	1,200,000	37,500	3	1,000,000
1.1.7	Court administration Reform	Ministry of Justice	300,000	0	0	7,350,775	0	0	0	464,851
1.1.8	Education Modernization Project	Ministry of education and science	1,150,000	0	0	3,454,864	1,020,181	0	0	1,198,055
1.1.9	SPIL	Ministry of labor and social policy	2,021,890	972,261	48	5,945,860	1,665,770	767,294	46	1,308,085
1.1.10	Health Sector Management Project	Ministry of Health	1,569,540	71,236	5	6,879,866	1,174,360	0	0	1,386,397
1.1.11	PDPL II	Gov. Of R Macedonia Mof and NBRM	0	0	0	0	0	0	0	22,052,324
1.1.12	Land registration /Cadastr	State Bureau for Geodetic Works	489,243	655,768	134	9,644,232	856,695	416,847	49	1,291,208
1.1.13	BERIS	Ministry of Economy	250,000	0	0	8,800,000	530,093	500,000	94	0
1.1.14	Electric Power Development Project	MEPSO	0	0	0	20,700,000	0	51,750		1,000,000
<b>1.2</b>	<b>EBRD</b>		<b>51,104,043</b>	<b>12,237,196</b>	<b>24</b>	<b>78,482,427</b>	<b>19,939,700</b>	<b>6,114,515</b>	<b>31</b>	<b>32,968,988</b>
1.2.1	Road project II	Road fund	11,007,968	7,862,403	71	28,296,505	3,500,000	3,501,259	100	6,629,507
1.2.2	MEAP	Ministry of Finance	6,448,445	2,738,391	42	6,107,784	3,570,000	1,111,772	31	1,902,581
1.2.3	Civil Aviation Project	Civil aviation	6,916,113	1,571,714	23	4,082,826	1,869,700	1,501,484	80	1,436,900
1.2.4	Power Transmission Pipe line ( Macedonia-Bulgaria 400KW)	MEPSO	26,731,517	64,688	0	39,995,312	11,000,000	0	0	23,000,000
<b>1.3</b>	<b>EIB</b>		<b>30,325,888</b>	<b>16,794,130</b>	<b>55</b>	<b>45,000,000</b>	<b>9,300,000</b>	<b>4,000,000</b>	<b>43</b>	<b>17,700,000</b>
1.3.1	Road project II ( EUR 60 mil)	Road fund	13,331,873	8,000,000	60	37,000,000	6,000,000	0	0	13,700,000
1.3.2	Electricity transformation stations in R.Macedonia	MEPSO	7,460,956	1,000,000	13	8,000,000	3,300,000	4,000,000	121	4,000,000
1.3.3	Global Finance	Ministry of finance and NBRM	9,533,059	7,794,130	82		0	0	0	
<b>1.4</b>	<b>IFAD</b>		<b>3,934,936</b>	<b>2,531,523</b>	<b>64</b>	<b>3,183,653</b>	<b>1,159,154</b>	<b>662,518</b>	<b>57</b>	<b>1,957,266</b>
1.4.1	Project for Rural Development	Ministry of Finance	1,657,146	668,729	40	590,617	228,032	54,325	24	228,032
1.4.2	Agriculture Financial services Project	Ministry of Finance	2,277,791	1,862,794	82	2,593,036	931,122	608,193	65	1,729,234
<b>1.5</b>	<b>CEDB</b>		<b>3,913,944</b>	<b>0</b>	<b>0</b>	<b>13,200,000</b>	<b>4,200,000</b>	<b>1,700,000</b>	<b>40</b>	<b>6,700,000</b>
1.5.1	Social Housing Project	Ministry of Transport Communication and	3,913,944	0	0	3,200,000	3,200,000	1,700,000	53	3,200,000
1.5.2	Job Creation II Project	MBPR	0	0	0	10,000,000	1,000,000	0	0	3,500,000
<b>2</b>	<b>Bilateral creditors</b>		<b>23,734,227</b>	<b>6,643,460</b>	<b>28</b>	<b>111,001,042</b>	<b>14,227,151</b>	<b>4,756,352</b>	<b>33</b>	<b>60,433,905</b>
<b>2.1</b>	<b>Italy</b>	Ministry of Agriculture	6,999,781	2,422,299	35	2,663,418	2,663,418	379,608	14	1,984,776
<b>2.2</b>	<b>KfW</b>		2,446,215	242,000	10	22,629,794	3,470,000	667,900	19	22,081,433
2.2.1	Irrigation Vardar Valley	Ministry of Agriculture	2,446,215	242,000	10	6,329,794	1,470,000	667,900	45	4,412,433
2.2.2	Credit for Support line for SME	MBPR	0	0	0	0	0	0	0	7,669,000
2.2.3	Brod Gneotino	ELEM	0	0	0	16,300,000	2,000,000	0	0	10,000,000
2.3	JBIC- Zletovica project	Ministry of Agriculture	1,607,199	2,703,298	168	66,103,453	978,633	878,442	90	7,683,850
<b>2.4</b>	<b>Spain ( Project Lisice)</b>		7,756,618	1,275,863	16	7,065,865	3,000,000	2,830,402	94	4,049,936
2.4.1	Project Lisice loan from ICO – Spain	Ministry of Agriculture	5,427,304	638,395	12	4,759,194	2,100,000	1,790,562	85	2,444,100
2.4.2	Project Lisice loan from BBVA – Spain	Ministry of Agriculture	2,329,314	637,468	27	2,306,671	900,000	1,039,840	116	1,605,836
<b>2.5</b>	<b>Spain- Strezevo</b>	Ministry of Agriculture	1,345,418	0	0	7,325,388	0	0	0	0
<b>2.6</b>	<b>Kozjak Project</b>	Ministry of Agriculture	3,578,995	0	0	2,630,839	2,630,839	0	0	2,630,839
<b>2.7</b>	<b>Rationalization of managment system and modernization of biomedical equipment in health sector</b>	Ministry of Agriculture	0	0	0	2,582,285	1,484,261	0	0	1,484,261

Source: Mof and NBRM

## VI.2 Annex – Stock of public debt in the Republic of Macedonia (1999 - 6.2006)

basis	year												
	1999	2000	2001	2002	2003	2004	2005	31/01/2006	28/02/2006	31/03/2006	30/04/2006	31/05/2006	30/06/2006
<b>EXTERNAL PUBLIC DEBT*</b>	<b>1,289.59</b>	<b>1,427.73</b>	<b>1,397.61</b>	<b>1,267.64</b>	<b>1,178.90</b>	<b>1,178.61</b>	<b>1,441.16</b>	<b>1,226.50</b>	<b>1,239.00</b>	<b>1,226.75</b>	<b>1,215.00</b>	<b>1,207.36</b>	<b>1,219.60</b>
General Government Debt	1,024.72	1,153.86	1,191.90	1,088.97	1,005.54	993.20	1,245.35	1,038.51	1,047.00	1,037.70	1,030.00	1,025.89	1,037.70
Central Government (consolidated)	1,024.72	1,153.86	1,191.90	1,088.97	1,005.54	993.20	1,245.35	1,038.51	1,047.00	1,037.70	1,030.00	1,025.89	1,037.70
Central Government	971.52	1,101.00	1,144.10	1,050.37	972.56	962.28	1,207.95	1,001.47	1,009.00	1,001.35	994.00	988.36	999.50
Public Funds	53.20	52.86	47.80	38.60	32.98	30.92	37.40	37.04	38.00	36.35	36.00	37.54	38.20
Municipalities	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Central Bank	101.24	87.66	80.33	64.66	54.70	45.97	52.66	52.04	53.00	51.81	50.00	48.39	47.82
Public enterprises	163.63	186.21	125.38	114.01	118.66	139.44	143.15	135.95	139.00	137.23	135.00	133.08	134.08
<b>DOMESTIC PUBLIC DEBT</b>	<b>113.62</b>	<b>791.01</b>	<b>733.34</b>	<b>676.02</b>	<b>665.02</b>	<b>663.87</b>	<b>750.39</b>	<b>775.47</b>	<b>766.32</b>	<b>806.84</b>	<b>800.89</b>	<b>784.32</b>	<b>753.29</b>
General Government Debt	79.85	711.69	681.55	626.93	593.58	589.78	603.66	605.03	607.70	660.53	655.42	659.36	641.18
Central Government Debt	79.85	711.69	681.55	626.93	593.58	589.78	603.46	604.83	607.50	660.33	655.22	659.16	640.98
Structural bonds	79.85	711.69	681.55	626.93	593.58	557.89	533.50	532.95	532.56	559.20	528.65	528.26	512.00
Stopanska Bank Rehabilitation Bond	58.73	53.57	48.08	42.66	37.19	31.87	26.61	26.51	26.62	26.62	21.30	21.29	21.29
Small Bond	3.98	2.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Bond for selective credits	17.14	17.09	17.04	17.01	16.95	16.95	16.98	16.92	16.98	16.99	16.99	16.98	16.98
Stopanska Bank Privatization Bond	0.00	120.15	111.57	102.99	94.41	85.82	77.24	77.24	77.24	75.10	75.10	75.10	72.95
Bond for old foreign exchange savings	0.00	518.87	504.86	462.38	408.86	357.65	306.50	306.50	306.50	306.51	280.97	280.97	280.90
Denationalisation Bond (I, II, III, IV and V issue)	0.00	0.00	0.00	1.89	36.18	65.60	106.16	105.78	105.23	133.99	134.29	133.92	119.87
Continuous Government Securities	0.00	0.00	0.00	0.00	0.00	31.89	69.96	71.87	74.94	101.12	126.58	130.90	128.98
o.w. Treasury bills for monetary purposes	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	22.89	49.05	49.03	43.64
Municipalities	0.00	0.00	0.00	0.00	0.00	0.00	0.20	0.20	0.20	0.20	0.20	0.20	0.20
Central Bank	33.77	79.32	51.79	49.09	71.44	74.09	146.74	170.44	158.62	146.31	144.31	123.86	110.59
Public enterprises**	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	1.16	1.10	1.52
<b>TOTAL PUBLIC DEBT-GFS</b>	<b>1,403.21</b>	<b>2,218.74</b>	<b>2,130.95</b>	<b>1,943.66</b>	<b>1,843.92</b>	<b>1,842.48</b>	<b>2,191.55</b>	<b>2,001.97</b>	<b>2,005.32</b>	<b>2,033.58</b>	<b>2,015.89</b>	<b>1,991.69</b>	<b>1,972.89</b>
<b>GDP***</b>	<b>3,448.10</b>	<b>3,893.00</b>	<b>3,839.00</b>	<b>4,001.00</b>	<b>4,105.00</b>	<b>4,325.00</b>	<b>4,522.00</b>	<b>4,840.10</b>	<b>4,840.10</b>	<b>4,840.10</b>	<b>4,840.10</b>	<b>4,840.10</b>	<b>4,840.10</b>
<b>Average export***</b>	<b>1,116.97</b>	<b>1,220.00</b>	<b>1,035.00</b>	<b>1,178.00</b>	<b>1,203.00</b>	<b>1,343.00</b>	<b>1,624.00</b>	<b>1,833.00</b>	<b>1,858.14</b>	<b>1,858.14</b>	<b>1,858.14</b>	<b>1,858.14</b>	<b>1,858.14</b>
External public debt as % of the public debt	91.90	64.35	65.59	65.22	63.93	63.97	65.76	61.26	61.79	60.32	60.27	60.62	61.82
Domestic public debt as % of the public debt	8.10	35.65	34.41	34.78	36.07	36.03	34.24	38.74	38.21	39.68	39.73	39.38	38.18
Public debt as % of average GDP	40.70	56.99	55.51	48.58	44.92	42.60	48.46	41.36	41.43	42.02	41.65	41.15	40.76
Public debt as % of average export	125.63	181.86	205.89	165.00	153.28	137.19	134.95	109.22	107.92	109.44	108.49	107.19	106.18
<b>General Government Debt-GFS</b>	<b>1,104.57</b>	<b>1,865.55</b>	<b>1,873.45</b>	<b>1,715.90</b>	<b>1,599.12</b>	<b>1,582.98</b>	<b>1,849.01</b>	<b>1,643.54</b>	<b>1,654.70</b>	<b>1,698.23</b>	<b>1,685.42</b>	<b>1,685.25</b>	<b>1,678.88</b>
External debt of the General Government as % of the General Government Debt	92.77	61.85	63.62	63.46	62.88	62.74	67.35	63.19	63.27	61.11	61.11	60.87	61.81
Domestic debt of the General Government as % of the General Government Debt	7.23	38.15	36.38	36.54	37.12	37.26	32.65	36.81	36.73	38.89	38.89	39.13	38.19
General Government debt as % of the average GDP	32.03	47.92	48.80	42.89	38.96	36.60	40.89	33.96	34.19	35.09	34.82	34.82	34.69
General Government debt as % of the average export	98.89	152.91	181.01	145.66	132.93	117.87	113.86	89.66	89.05	91.39	90.70	90.35	90.35
<b>Public debt calculated on the basis of the Public Debt law****</b>	<b>1,268.20</b>	<b>2,051.76</b>	<b>1,998.83</b>	<b>1,829.91</b>	<b>1,717.78</b>	<b>1,722.42</b>	<b>1,992.16</b>	<b>1,779.49</b>	<b>1,793.70</b>	<b>1,812.57</b>	<b>1,772.53</b>	<b>1,770.40</b>	<b>1,770.84</b>
External public debt as % of the public debt	93.70	65.31	65.90	65.74	65.44	65.76	69.70	66.00	66.12	64.82	65.73	65.46	66.17
Domestic public debt as % of the public debt	6.30	34.71	34.15	34.24	34.56	34.24	30.30	34.00	33.88	35.18	34.27	34.54	33.83
Public debt as % of average GDP	36.78	52.70	52.07	45.74	41.85	39.82	44.05	36.77	37.06	37.45	36.62	36.58	36.59
Public debt as % of average export	113.54	168.18	193.12	155.34	142.79	128.25	122.67	97.08	96.53	97.55	95.39	95.28	95.30

\* Source: National Bank of the Republic of Macedonia

\*\* Beginning April 2006 public enterprises started submitting to the Ministry of Finance reports on the stock of debt (according to the Public Debt Law).

\*\*\* Source: IMF tables (data for 2005 and 2006 are updated)

\*\*\*\* Total public debt excluding the debt of the monetary authority (IMF loans; CB bills and Treasury bills for monetary purpose)

Source: Mof and NBRM

## **VII. Conclusion**

The Ministry of finance proposed the Government of Macedonia to adopt the report on Public Debt Management for the period January – June 2006.