



Ministry of Finance of the Republic of Macedonia
International Finance and Public Debt Management Department

**2016 Annual Report on Public Debt Management of the Republic
of Macedonia**

Skopje, 2017

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List of Abbreviations

JSC	Joint Stock Company
GDP	Gross Domestic Product
GS	Government Securities
GB	Treasury Bonds
TB	Treasury Bills
EU	European Union
MPP	Macedonian Power Plants
EIB	European Investment Bank
EBRD	European Bank for Reconstruction and Development
IFAD	International Fund for Agricultural Development
IPA	Instrument for Pre-Accession Assistance
IDA	International Development Association
IBRD	International Bank for Reconstruction and Development
PESR	Public Enterprise for State Roads
PE	Public Enterprise
KfW	KfW Development Bank (KfW Entwicklungsbank)
MBDP	Macedonian Bank for Development Promotion
MoF	Ministry of Finance
IMF	International Monetary Fund
MEPSO	Electricity Transmission System Operator of Macedonia
MR	Macedonian Railways
NBRM	National Bank of the Republic of Macedonia
p.p	Percentage Points
FDIs	Foreign Direct Investments
RMDEN4	Denationalization Bond – 4 th issue
RMDEN5	Denationalization Bond – 5 th issue
RMDEN6	Denationalization Bond – 6 th issue
RMDEN7	Denationalization Bond – 7 th issue
RMDEN8	Denationalization Bond – 8 th issue
RMDEN9	Denationalization Bond – 9 th issue
RMDEN10	Denationalization Bond - 10 th issue
RMDEN11	Denationalization Bond - 11 th issue
RMDEN12	Denationalization Bond - 12 th issue
RMDEN13	Denationalization Bond - 13 th issue
RMDEN14	Denationalization Bond - 14 th issue
RMDEN15	Denationalization Bond - 15 th issue
CEB	Council of Europe Development Bank

Pursuant to paragraph 1, Article 27 of the Law on Public Debt (“Official Gazette of the Republic of Macedonia“, no. 165/2014), 2016 Annual Report on Public Debt Management of the Republic of Macedonia is submitted to the Assembly of the Republic of Macedonia, for information purposes.

I. Introduction

Annual Report on Public Debt Management is prepared to the end of informing the Government of the Republic of Macedonia and the Assembly of the Republic of Macedonia, in details and on regular basis, and introducing the public with the features of debt portfolio of the Republic of Macedonia, as well as with the measures undertaken in the course of the previous year aimed at its efficient management.

Pursuant to the Law on Public Debt, objectives of public debt management of the Republic of Macedonia are the following:

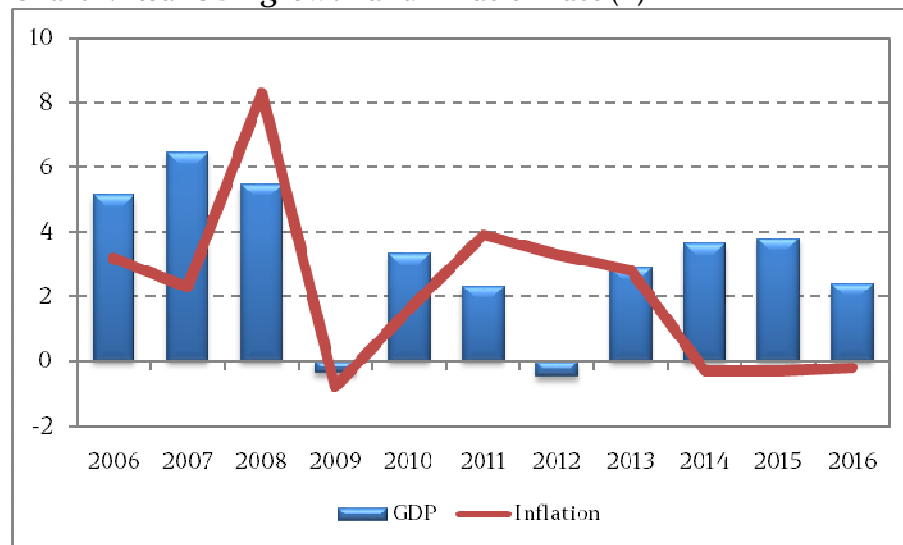
- financing the needs of the state with the lowest cost possible, in the medium and the long run, and with sustainable level of risk;
- identifying, monitoring and managing the risks which public debt portfolio is susceptible to; and
- developing and maintaining efficient domestic financial market.

The Report includes definitions on general government and public debt pursuant to the Law on Public Debt (“Official Gazette of the Republic of Macedonia”, no. 6p.165/14 – consolidated version). According to the definition, general government debt comprises financial liabilities incurred on the basis of borrowing by the Republic of Macedonia, public institutions established by the Republic of Macedonia and the municipalities, the municipalities within the City of Skopje and the City of Skopje. Public debt comprises general government debt and debt of public enterprises established by the state or the municipalities, the municipalities within the City of Skopje and the City of Skopje, as well as companies, being fully or predominantly owned by the state or the municipalities, the municipalities within the City of Skopje and the City of Skopje, for which the state has issued a sovereign guarantee.

II. Macroeconomic Trends in the Republic of Macedonia in 2016

Economic activity in 2016 experienced 2.4% growth amid intensified political instability in the country. Construction sector, experiencing 18.5% growth, significantly contributed to economic growth in 2016, as well as in the past years. Agriculture sector experienced 2.8% growth, growth in the services sector amounted to 2%, as a result of the growth of economic activity in several sectors, while growth in the industrial sector dropped by 1.3%.

Chart 1: Real GDP growth and inflation rate (%)



Source: State Statistical Office

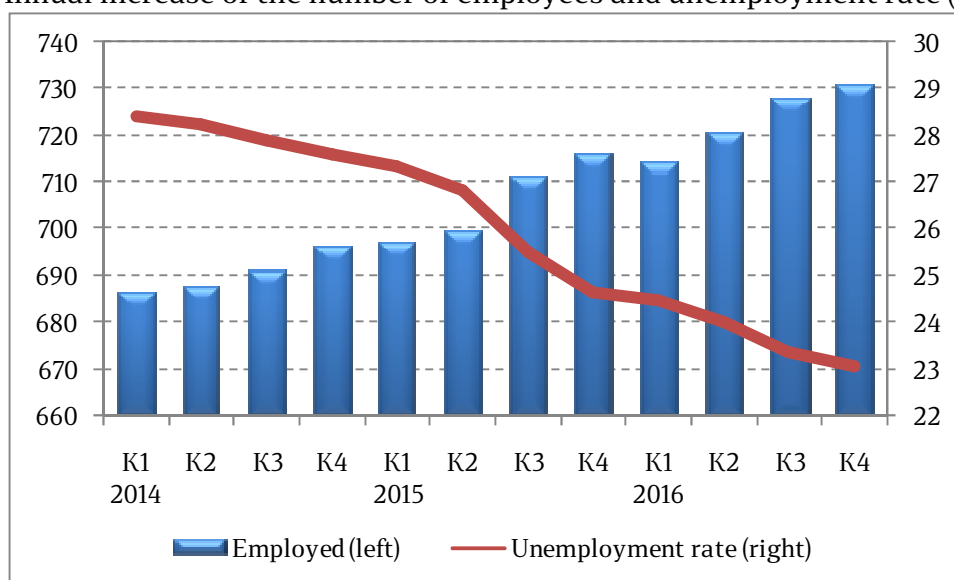
Analyzed by components of aggregate demand, economic growth in 2016 was driven by the export and the consumption. Export of goods and services grew by 11.5% in real terms, mainly as a result of increased export from the capacities in the free economic zones, in conditions of favourable trends of the external demand, i.e. solid growth of economic activity in the EU, as the most important destination to market the Macedonian products. Export growth was accompanied by improved export structure by increasing the share of higher value added goods, in conditions of increase of export of machinery and transport equipment by 20.5% and of chemical products by 12.3%. Import of goods and services experienced lower growth compared to export, accounting for 7.6% in real terms, hence net export significantly contributed to the economic growth.

Final consumption registered 3.7% growth in real terms in 2016, as a result of the growth of both private consumption and public consumption. Private consumption experienced 4.2% growth as a result, mostly, of the increase of household disposable income, in conditions of increase of employment and salaries. Public spending increased by 1.6% in real terms. Gross investments in 2016 dropped by 4.3% in real terms.

Inflation rate in 2016 amounted to -0.2%, mainly due to the reduced prices of the energy sources, in particular oil derivatives (-7.7%) and food products (-1.4%).

Positive trends on the labour market continued in 2016. According to the Labour Force Survey, unemployment rate continuously declined in the course of the year, dropping to 23.1% in the fourth quarter, i.e. dropping by 1.5 percentage points (p.p.) compared to the same quarter in 2015.

Chart 2: Annual increase of the number of employees and unemployment rate (%)



Source: State Statistical Office

Number of employees in 2016 increased by 2.5%, i.e. by 15.3 thousand persons compared to 2015, whereby most jobs were opened in Trade Activity. Employment increase was also seen in the construction sector and the industrial sector. These sectors accounted for almost 2/3 of the total increase in the number of employees in 2016. Employment increase was underpinned by implementing active employment measures and programs and public investments in infrastructure. Employment rate in the fourth quarter reached 43.5%, accounting for 0.8 p.p. growth compared to the same quarter in 2015.

Average net/gross salary in 2016 was higher by 2.0% in nominal terms, i.e. by 2.2% in real terms.

Current account deficit remained low in 2016, accounting for 3.1% of GDP, and, compared to 2015, it experienced certain increase. Current account deficit was financed from FDI inflow, amounting to almost EUR 360 million, accounting for 3.6% of GDP. Compared to 2015, FDI inflow was higher by EUR 142 million, i.e. by 1.2 p.p. as a percentage of GDP. FDI inflow was mostly (around 90%) on the basis of equity and reinvested profit, while debt instruments contributed less to FDI inflow. Analyzed by activity, most of FDIs in this period was allocated to the industrial sector, in particular manufacturing.

Foreign currency reserves amounted to EUR 2.6 billion at the end of 2016, providing for more than 5-month coverage of import of goods and services in the previous 12-month period, being at a significant level to manage the possible shocks.

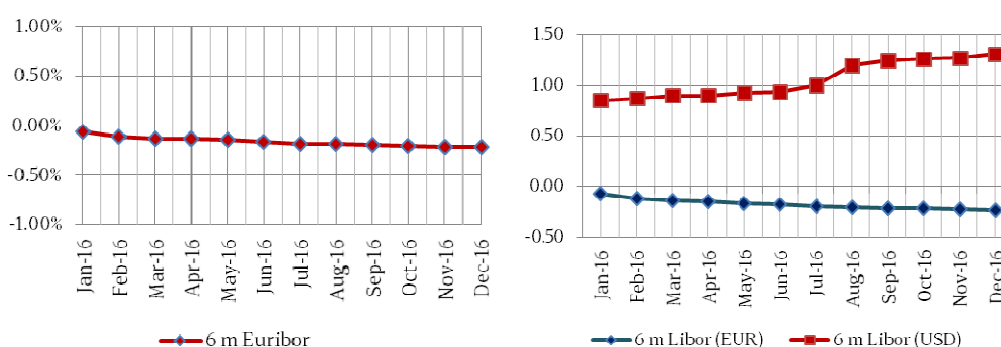
III. More significant activities in the period January-December 2016

III.1 International Environment

Interest rate on 6-month Euribor continued to decline in the course of 2016. In fact, it amounted to -0.061% in January, while it dropped to -0.218% in December. The same trend was also observed at the interbank Euro LIBOR interest rate, which amounted to -0.068% in January, while its average value was -0,225% at the end of the year.

In the course of 2016, 6-month US Dollar LIBOR interest rate experienced an upward trend, its average value being 0.856% in January, surging to 1.306% in December.

Chart 3: Trend of EURIBOR and LIBOR interest rates in 2016

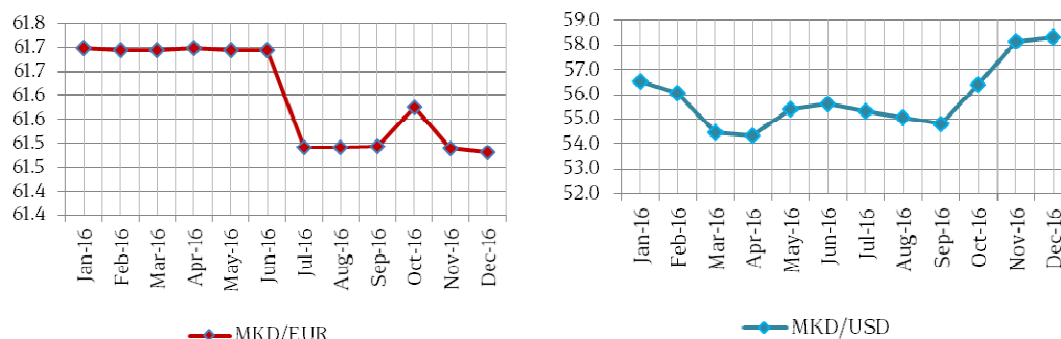


Source: Global-rates.com

Source: Global-rates.com

In the course of 2016, Denar exchange rate in relation to the euro was stable, ranging from Denar 61.4812 to Denar 61.6978 per one euro. On the other hand, value of US dollar increased in relation to the denar, ranging from Denar 54.321 to Denar 58.326 per one USD.

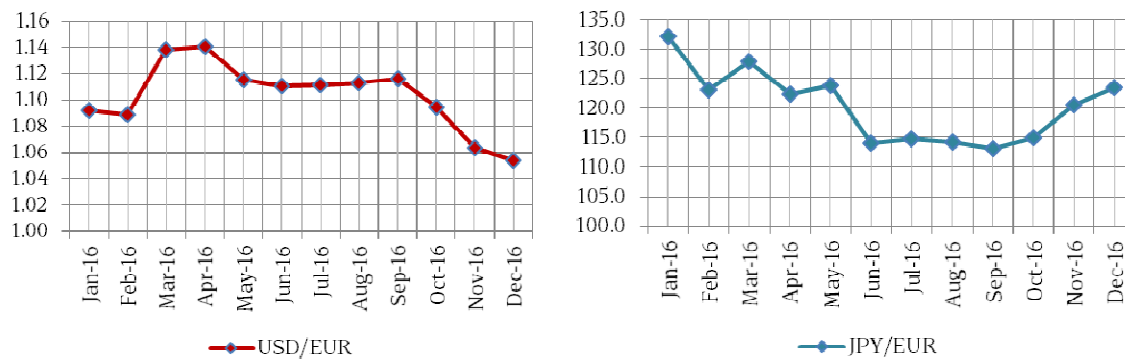
Chart 4: Denar/EUR and Denar/USD exchange rates in 2016



Source: NBRM

As regards the international financial market, USD value in relation to the euro continuously increased in the course of 2016, reaching its highest value of USD 1.0541 per one euro in December 2016. With respect to Japanese Yen/EUR exchange rate, the highest value of 113.09 Japanese Yen per one euro was registered in September 2016, while euro value in relation to Japanese Yen reached 132.25 Japanese yen per one euro in January.

Chart 5: USD/EUR and Japanese Yen/EUR exchange rates in 2016



Source: European Central Bank

III. 2 Credit Rating of the Republic of Macedonia in 2016

Credit Rating Agencies “Standard&Poor’s” and “Fitch Ratings” carried out semi-annual revision of the credit rating of the Republic of Macedonia twice in the course of 2016, on 1st April 2016 and 30th September 2016, i.e. on 4th March 2016 and 2nd September 2016, respectively.

“Standard&Poor’s” credit rating agency affirmed, in its last report published on 30th September 2016, Macedonia’s previously awarded credit rating for local and foreign currency at BB-, at the same time affirming the country’s stable outlook.

The Report indicates the following strengths of the Macedonian economy:

- export continues to grow strongly as a result of foreign companies expanding their production capacities and the foreign investments in the free economic zones, thus strengthening the development potential of the Macedonian economy;
- further reduction of the unemployment rate, as a result of the synergy between free economic zones and the domestic companies, at the same time driving the growth. According to Agency's projections, unemployment rate will continue to decline continuously in the coming three years as well;
- Macedonian denar is stable;
- foreign reserves cover the monetary base by about 2 times;
- National Bank has proven successful in weathering the episodes of volatility and the effects from speculations on Denar devaluation in April 2016, which showed to be unreliable;
- as regards the general government debt, the Agency pointed out that although it was higher compared to 2009, it is still relatively low.

Stable credit rating of the Republic of Macedonia is a significant signal to foreign investors, and it has positive impact on the interest rate at which the country borrows on the international capital market, as well as the overall economic and political image of the Republic of Macedonia. Affirming the credit rating is yet another strong signal to the foreign investors that Macedonia is a country which they have confidence in and could be assured of sound economic policies in future as well.

In its last report published on 2nd September 2016, “Fitch Ratings” downgraded Macedonia’s awarded credit rating for local and foreign currency from BB+ to BB, with negative outlook. The Agency pointed out that it based the credit ratings on the political crisis in Macedonia, the increased economic uncertainty and the negative pressure on fiscal finances.

Strengths of the Macedonian economy indicated in the Report, on the basis of which the Agency awarded the credit rating, are the following:

- structural reforms undertaken in the past years, aimed at improving the business climate and supporting the development of industrial zones;

- low inflation;
- fiscal and macroeconomic stability;
- moderate level of public debt;
- liquid and well-capitalized banking sector.

Recent credit ratings the Republic of Macedonia was awarded in 2015 and 2016 by the credit rating agencies “Standard&Poor’s” and “Fitch Ratings” are shown in the table below:

“Standard & Poor's” credit rating agency

	2015	2016
Foreign currency	BB-/stable	BB-/stable
Local currency	BB-/stable	BB-/stable

Source: Standar&Poor's

“Fitch Ratings”

	2015	2016
Foreign currency	BB+/negative	BB/negative
Local currency	BB+/negative	BB/negative

Source: Fitch Ratings

III. 3 Trends in General Government and Public Debt of the Republic of Macedonia

Public debt of the Republic of Macedonia amounted to EUR 4,711.4 million at the end of 2016, accounting for 47.8% of GDP. External public debt amounted to EUR 3,286.0 million, while domestic public debt amounted to EUR 1,425.4 million.

General government debt of the Republic of Macedonia amounted to EUR 3,851.5 million at the end of 2016, i.e. 39.1% of GDP. Hence, Republic of Macedonia remains to be moderately indebted country as regards the level of general government debt, which is lower than the average at EU level, which accounted for 83.5% at the end of 2016¹.

¹ Eurostat (2017), *Eurostat news release euro indicators No. 67/2017*

External general government debt amounted to EUR 2,446.6 million at the end of 2016, increasing by EUR 349.9 million in relation to 2015, while domestic general government debt amounted to EUR 1,404.9 million, increasing by EUR 48.3 million in relation to 2015.

From the point of view of currency structure of general government debt, euro - denominated debt predominated in 2016, accounting for 69.9% in the total portfolio and increasing by 5.3 p.p. in relation to 2015. Debt dominated in domestic currency dropped by 3.9 percentage points, i.e. from 25.6% to 21.7%.

As regards interest rate structure of the general government debt, debt with fixed-interest rate increased by 3.6 p.p. compared to 2015, accounting for 72.0% at the end of 2016. Such increase of debt with fixed-interest rate was a result of the increased level of treasury bonds with fixed-interest rate, issued on the domestic market. In addition, Ministry of Finance issued the fifth Eurobond, with fixed interest rate, on the international capital market in 2016.

As regards the limits set in the Public Debt Management Policy, as an integral part of 2016 - 2018 Fiscal Strategy, it can be concluded that public debt is within the set limits, i.e. Ministry of Finance manages the public debt of the Republic of Macedonia in line with the authorizations by the Government of the Republic of Macedonia. In fact, 2016 - 2018 Fiscal Strategy defined the maximum level of public debt of 60% of GDP on medium and long term. At the end of 2016, public debt was within the set limits, accounting for 47.8%. In line with the limit on currency structure of general government debt, euro-denominated debt should account for at least 80% of the foreign currency denominated debt portfolio, and it accounted for 89.3% as of 31st December 2016 inclusive.

In addition, interest rate limit was successfully applied and was in line with the limit on interest structure of general government debt, according to which fixed-interest debt should account for at least 50% of the total debt portfolio, while fixed-interest debt accounted for 72.0% at the end of 2016.

In order to protect central government debt portfolio against re-financing risk, limit was defined, according to which the minimum level of “average time to maturity” indicator in 2016 should be 3 years. Taking into account that “average time to maturity” was 4.6 years as of 31st December 2016 inclusive, it could be concluded that this indicator was within the limit set. Limit on “average time to refixing” should protect central government debt portfolio against the interest rate risk, hence minimum level for this indicator in 2016 was set at 2 years. At the end of 2016, “average time to refixing” was also within the limit set, i.e. 4.0 years.

III. 4 Servicing of Government and Public Debt of the Republic of Macedonia

Ministry of Finance, as well as the other public debt issuers, serviced all liabilities on the basis of government and public debt that fell due in 2016 on regular basis and on time.

As regards repayment of liabilities on the basis of public debt in 2016, which includes the general government debt and the guaranteed debt of public enterprises, EUR 555.1 million was spent, EUR 433.0 million out of which for principal repayment and EUR 122.1 million for interest repayment.

III.5. Issue of the Fifth Eurobond of the Republic of Macedonia

Republic of Macedonia issued the fourth Eurobond on the international capital market in July 2016, intended for financing the budget needs and refinancing the liabilities falling due on the basis of public debt issued in 2016 and 2017.

Eurobond was issued in the amount of EUR 450 million, with coupon interest rate of 5.625% annually and 7-year maturity period, i.e. by 2023, and it is traded on the Irish Stock Exchange. Mainly asset management funds, insurance companies and banks from the USA and Continental Europe subscribed for the Eurobond.

In the course of 2016, Eurobonds issued by the Republic of Macedonia, falling due in 2020, 2021 and 2023, were traded on the international capital market. As of December 2016 inclusive, yields to maturity as regards the Eurobonds falling due in 2020, 2021 and 2023 amounted to 3.38%, 3.79% and 4.96% respectively.

III.6 Issuance of the Fifteenth Issue of Denationalization Bonds

Pursuant to the Law on Issuance of Denationalization Bonds by the Republic of Macedonia ("Official Gazette of the Republic of Macedonia", nos. 37/02, 89/08, 161/09, 6/12, 104/13 and 33/15), fifteenth issue of denationalization bonds was issued, amounting to EUR 12 million.

Terms and conditions for the issuance of this bond were identical as for the first fourteenth issues, i.e. 10-year maturity period and 2% fixed interest rate per annum. First installment for payment of the principal and the interest on this issue falls due on 1st July 2017.

This issue of the denationalisation bonds covers all effective decisions on denationalisation adopted in the period from 1st February 2015 to 31st January 2016, according to which bonds are given as form of compensation.

III.7 Continuous Government Securities

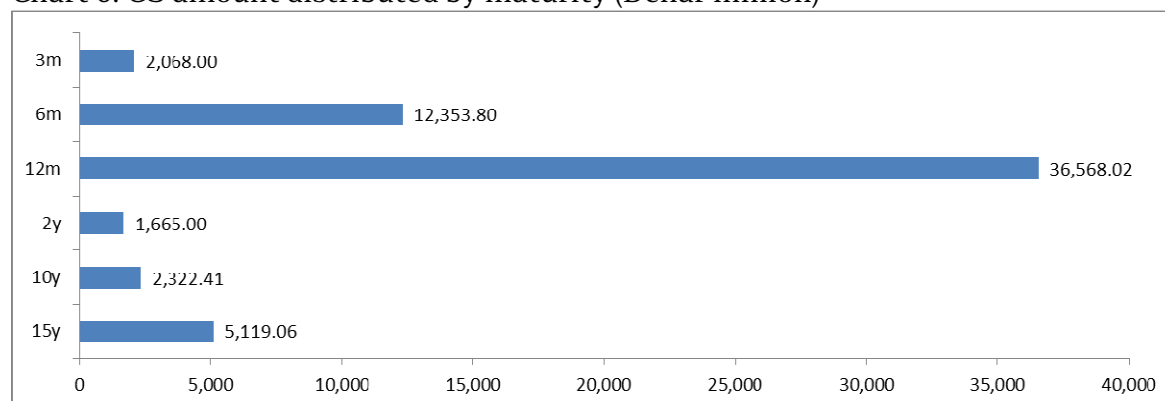
III.7.1 Primary Government Securities Market (GS)

Borrowing by issuing government securities in 2016 - Under the Decision on determining the maximum amount of new borrowing by issuing government securities in 2016, adopted by the Government of the Republic of Macedonia, maximum amount of new borrowing was determined in the amount of Denar 10,455.00 million. Thus, new (net) borrowing on the basis of issued GS in 2016 amounted to Denar 2,713.07 million, while the stock of total issued GS amounted to Denar 81,370.42 million as of 31st December 2016 inclusive.

GS auctions - In the period January – December 2016, Ministry of Finance issued, on regular basis, 3-, 6- and 12-month treasury bills with and without foreign exchange clause, as well as 2-, 10- and 15-year treasury bonds with and without foreign exchange clause. During this period, total of one hundred and three (103) GS auctions were held, i.e. ten (10) auctions of 3-month treasury bills, twenty-one (21) auctions of 6-month treasury bills, thirty-two (32) auctions of 12-month treasury bills, four (4) auctions of 2-year treasury bonds, seventeen (17) auctions of 10-year treasury bonds and nineteen (19) auctions of 15-year treasury bonds.

Total amount offered at the GS auctions in 2016 was Denar 63,346.16 million, demand amounted to Denar 65,805.19 million, while total auctions in the period amounted to Denar 60,096.29 million. Chart 6 shows the allocation of the total amount distributed on the basis of the issued GS by maturity:

Chart 6: GS amount distributed by maturity (Denar million)



Source: MoF

Trends of interest rates at GS auctions – Volume tender was applied at the GS auctions held in the course of 2016. Average interest rates in 2016 at the auctions of government securities with and without foreign exchange clause are presented in Table 3 and Table 4.

Maturity structure of undue GS - In 2016, continuous GS portfolio comprised 3-, 6- and 12-month treasury bills, 2-, 3-, 5-, 10- and 15-year treasury bonds.

In line with IMF recommendations, Ministry of Finance continued implementing measures and activities aimed at strengthening the domestic securities market, paying special attention to extending the maturity of government securities portfolio by introducing longer maturity instruments. Issuance of 15-year treasury bonds in the last two years contributed for a significant change in the maturity structure of government securities portfolio. By analyzing the share of long-term securities in the total government securities portfolio, such share accounted for 51.86% at the end of 2016, significantly increasing by 17 percentage points compared to the beginning of 2014. All this contributed to strengthening the government securities market and increasing the average time to maturity of the domestic debt portfolio. Thus, risks when managing public debt are reduced, at the same time the debt portfolio is less sensitive to external shocks, all this contributing to boosting of the domestic GS market.

Ownership structure of undue GS – Ownership of undue government securities portfolio is distributed among the commercial banks in the Republic of Macedonia, the pension funds, the insurance companies, the saving houses, the natural persons and the legal entities, as well as other institutional investors from the country and abroad.

As of 31st December 2016 inclusive, percentage share of banks in the ownership structure of government securities accounted for 39.98%, while the share of the other market entities accounted for 60.02%. Compared to 31st December 2015, when the ratio between the banks and the other market entities was 46.43 against 53.57 respectively, share of banks dropped by 6.45 p.p. in relation to the share of the other entities, being respectively increased.

III.7.2 Secondary Government Securities Market

Existing regulations on secondary trading in the Republic of Macedonia enables trading in all structural government securities on the Macedonian Securities Stock Exchange AD, as well as trading in continuous government securities on the OTC market.

In 2016, total volume of trading in bonds on the Macedonian Stock Exchange AD Skopje amounted to Denar 543,961,166, declining by Denar 140,148,046 compared to 2015, when it amounted to Denar 684,109,211.

During the same period, total of thirty seven (37) transactions with government securities were carried out on the over-the-counter market, twenty-five (25) out of which were transactions with treasury bills and twelve (12) transactions with treasury bonds. Total nominal trading amounted to Denar 3,554,000,000. Compared to 2015 trading, it can be concluded that total nominal amount of trading in 2016 was higher by Denar 457,140,000.

III.8 Newly Concluded Loans in 2016

III.8.1 New Loans Concluded by Central Government

• Borrowing by the Republic of Macedonia at the International Bank for Reconstruction and Development – World Bank under Loan Agreement for the Second Municipal Services Improvement Project.

On 14th January 2016, Ministry of Finance, on behalf of the Government of the Republic of Macedonia, and International Bank for Reconstruction and Development – World Bank signed Loan Agreement in the amount of EUR 25 million, intended for improvement of municipal services. The Project comprises three components, as follows: Component A: municipal investment sub-loans, Component B: poverty and social inclusion investment grants, Component C: project management, monitoring and evaluation and capacity building. Realization of this Project will provide for improvement of transparency, financial sustainability and delivery of targeted municipal services in the participating municipalities.

Terms and conditions, under which this loan was signed, are the following:

- amount: EUR 25 million;
- interest rate: six-month EURIBOR plus variable spread;
- repayment period: 18 years, including 5-year grace period;
- repayment method: loan will be repaid in 26 semi-annual instalments. Starting 15th March 2021 by 15th March 2033, 25 semi-annual instalments will be repaid, each instalment accounting for 3.85% of the loan amount, while the last instalment, accounting for 3.75% of the loan amount, will be repaid on 15th September 2033.

• Borrowing a credit by the Republic of Macedonia with the second portion of a credit from the European Investment Bank under the Finance Contract for the Project for Construction of Corridor X Motorway, Section Demir Kapija - Smokvica

On 20th January 2016, Ministry of Finance, on behalf of the Government of the Republic of Macedonia, and European Investment Bank signed Credit Contract in the amount of EUR 35 million, intended for construction of motorway section Demir Kapija – Smokvica on Corridor X.

Project objective is construction of a modern section, around 28 km long, thus completing the main axis of Corridor X passing through the Republic of Macedonia.

Terms and conditions, under which this credit was signed, are the following:

- amount: EUR 35 million;
- interest rate: interest rate will be determined for each credit tranche separately, on the day the Ministry of Finance submits the disbursement request, depending on which interest rate is more favourable for the Republic of Macedonia (fixed or variable);
- repayment period: at least four years up to 25 years at the most from the Scheduled

Disbursement Date, including a grace period which may be from 60 days to seven years from the Scheduled Disbursement Day. Credit repayment period will be determined for each tranche separately on the day of submission of the disbursement request by the Ministry of Finance.

- repayment method: the tranche may be repaid in a single installment on a date falling between three and 15 years from the Scheduled Disbursement Date.

III.8.2 New Loans Concluded by Local Government

• Short-term borrowing within the Project under IPA Cross-Border Cooperation Component

On 23rd March 2016, Delcevo Municipality and Macedonian Bank for Development Promotion AD Skopje signed Short-Term Loan Agreement in the amount of Denar 3,000,000.00 for financing the Project under IPA Cross-Border Cooperation Component, for the purpose of realization of the capital project “Measures for Protection against Floods from Bregalnica and Bistrica Rivers”.

Terms and conditions, under which this loan was signed, are the following:

- amount: 3,000,000.00 Denar;
- interest rate: fixed interest rate of 5.75% annually;
- repayment period: eight months, including 3-month grace period, but not later than 15th October 2016; and
- manner of repayment: quarterly.

• Project: “Construction of Bridge on the River Vardar in Gostivar Municipality”

On 25th March 2016, Gostivar Municipality and Komercijalna Banka AD Skopje signed Long-Term Loan Agreement in the amount of EUR 382,000.00 in Denar equivalent determined on the disbursement day according to EUR middle exchange rate on NBRM indicative exchange rates, however, not exceeding Denar 23,600,000.00, for the purpose of realization of the Project.

Terms and conditions, under which this loan was signed, are the following:

- amount: 382,000.00 EUR in Denar equivalent determined on the disbursement day according to EUR middle exchange rate on NBRM indicative exchange rates, however, not exceeding Denar 23,600,000.00;
- interest rate: fixed interest rate of 6.50% annually;
- repayment period: up to ten years, including grace period;
- grace period: up to one year;
- loan repayment: in 180 equal monthly instalments, the first instalment falling due 1 month after the initial repayment date, following the expiry of the grace period;
- front-end fee in the amount of 0.5% of the approved loan;
- 0.5% service charge for each disbursement, in line with the internal acts of the Bank, however, not exceeding Denar 150,000; and
- no pre-payment fee for early repayment of the loan in full or partially.

• Project “Construction of Municipal Primary School in Centar Municipality – Skopje”

On 5th October 2016, Cenatr Municipality and Komercijalna Banka AD Skopje signed Long-Term Loan Agreement in the amount of EUR 4,826,000.00 in Denar equivalent determined on the disbursement day according to EUR middle exchange rate on NBRM indicative exchange rates, however, not exceeding Denar 297,750,000.00, for the urpose of realization of the Project.

Terms and conditions, under which this loan was signed, are the following:

- amount: 4,826,000.00 EUR in Denar equivalent determined on the disbursement day according to EUR middle exchange rate on NBRM indicative exchange rates, however, not exceeding Denar 297,750,000.00;
- interest rate: variable interest rate of 5.00% annually;
- repayment period: up to ten years, including grace period;
- grace period: up to two years;
- loan repayment: in 32 quarterly instalments, the first instalment falling due three months after the initial repayment date, following the expiry of the grace period;
- front-end fee in the amount of 0.5% of the approved loan;
- 0.5% service charge for each disbursement, in line with the internal acts of the Bank, however, not exceeding Denar 150,000; and
- no pre-payment fee for early repayment of the loan in full or partially.

IV. Public Debt Management Activities

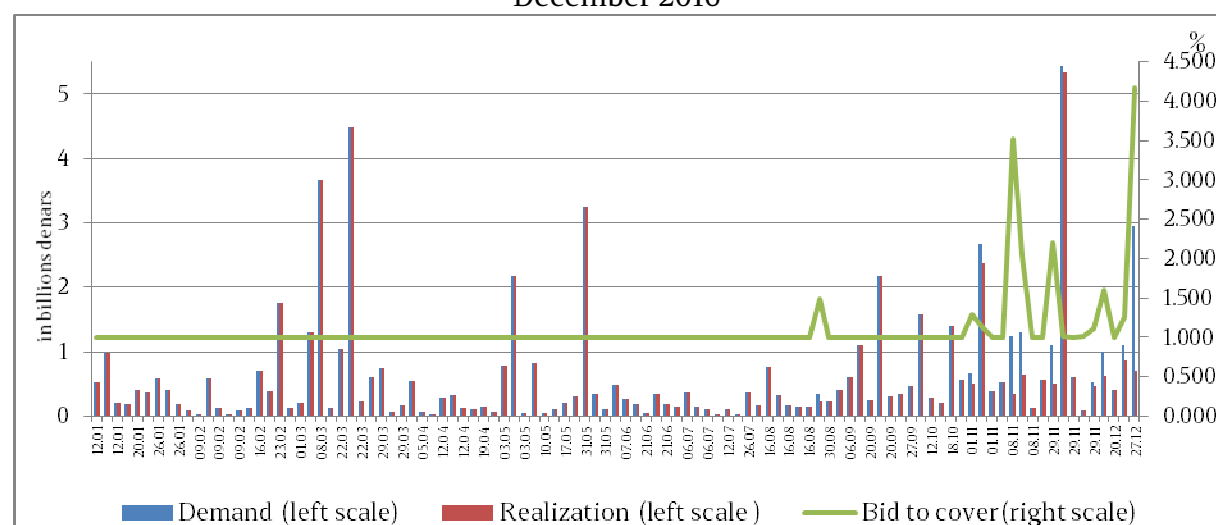
IV.1 Primary Government Securities Market

Table 1: Net issue of government securities and structural bonds

	Denar million	Q1 2016	Q2 2016	Q3 2016	Q4 2016	Total 2016
I	Net issued government securities	4,390.66	-3,086.45	263.84	1,145.03	2,713.07
	3-month treasury bills	-947.63	1,446.32	-1,613.71	-29.88	-1,144.91
	6-month treasury bills	3,937.79	-491.58	-3,243.21	-3,455.07	-3,252.06
	12-month treasury bills	717.01	-3,708.26	4,101.09	5,284.77	6,394.62
	2-year treasury bonds	-932.00	0.00	0.00	-2,240.56	-3,172.56
	3-year treasury bonds	-167.07	-1,250.17	0.00	0.00	-1,417.24
	5-year treasury bonds	0.00	0.00	-877.67	-1,269.89	-2,147.57
	10-year treasury bonds	661.91	425.33	469.52	776.97	2,333.73
	15-year treasury bonds	1,120.65	491.90	1,427.82	2,078.69	5,119.06
II	15 th issue of denationalization bonds	0.00	738.00	0.00	0.00	738.00
I+II	Total	4,390.66	-2,348.45	263.84	1,145.03	3,451.07

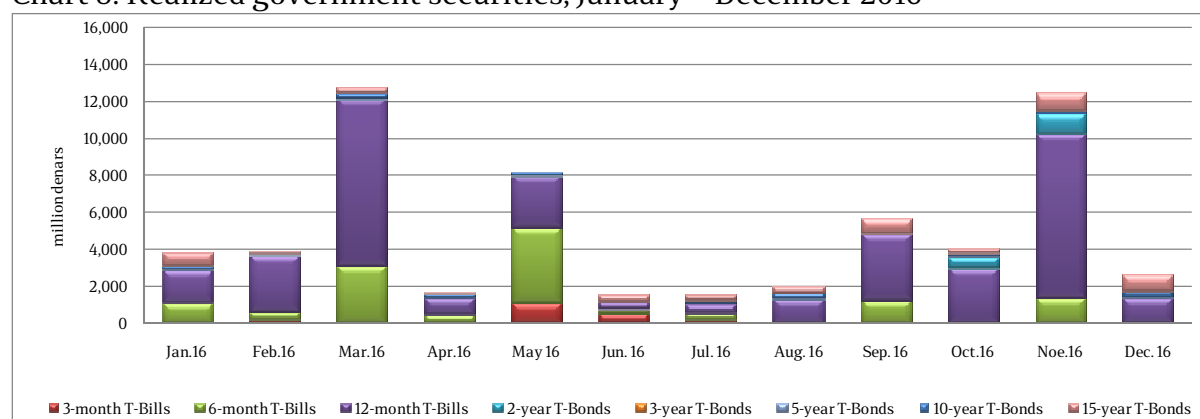
Source: MoF

Chart 7: Demand and realization of government securities auctions, January – December 2016



Source: MoF

Chart 8: Realized government securities, January – December 2016



Source: MoF

Table 2: Average interest rates on GS without foreign exchange clause in 2016

Auction date	3-month T-bills	6-month T-bills	12-month T-bills	2-year T-bonds	10-year T-bonds
January		2.21%	2.55%		
February	1.60%	2.30%	2.60%		3.90%
March		2.30%	2.60%		3.90%
April		2.30%	2.60%		3.90%
May	1.60%	2.30%	2.60%		3.90%
June	1.60%	2.30%	2.60%		
July	1.60%	2.30%	2.60%		3.90%
August			2.60%		3.90%
September		2.30%	2.60%		
October			2.60%		3.90%
November		2.30%	2.60%	2.80%	3.90%
December			2.60%		3.90%

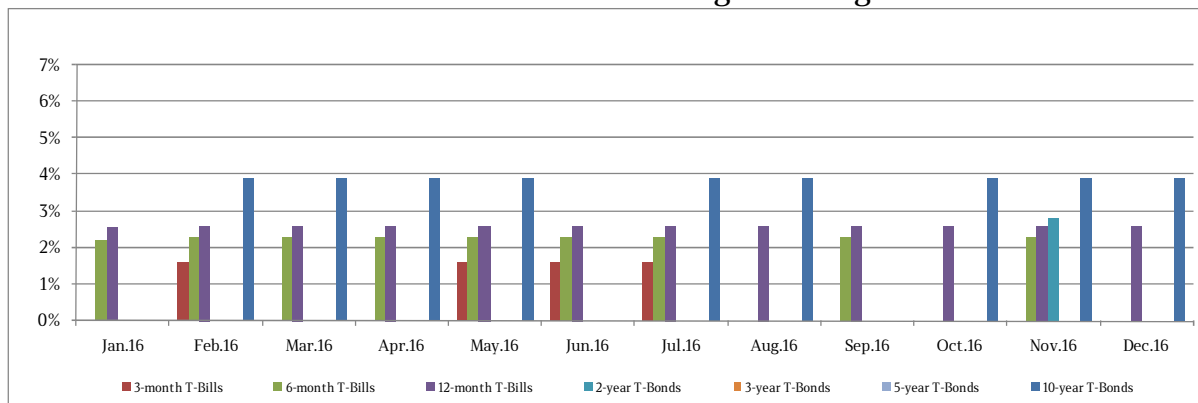
Source: MoF

Table 3: Average interest rates on GS with foreign exchange clause in 2016

Auction date	3-month T-bills	6-month T-bills	12-month T-bills	2-year T-bonds	10-year T-bonds	15-year T-bonds
January					3.50%	4.22%
February					3.70%	4.30%
March						4.30%
April					3.70%	4.30%
May			1.50%			
June	1.50%					4.30%
July						4.30%
August			2.50%		3.70%	4.30%
September		2.20%				4.30%
October						4.30%
November		2.20%		2.70%		4.30%
December						4.30%

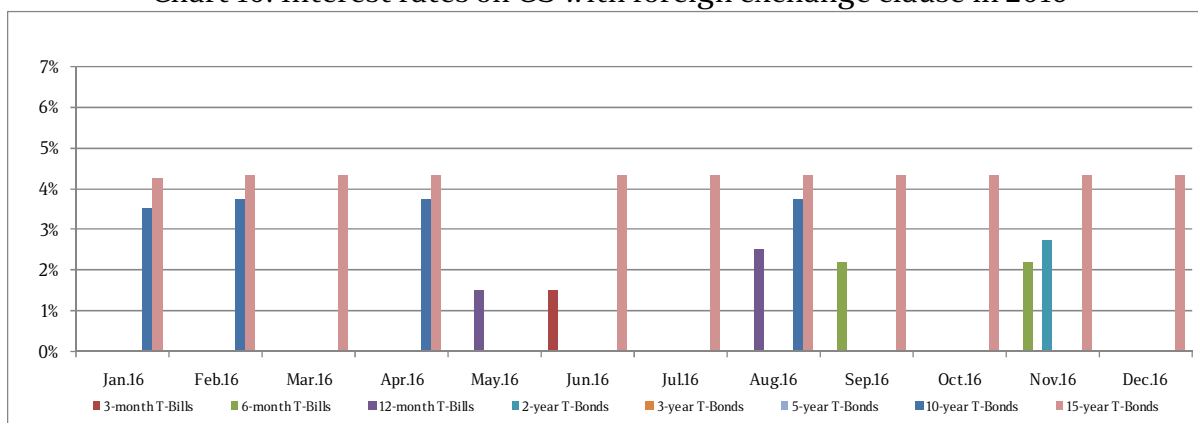
Source: MoF

Chart 9: Interest rates on GS without foreign exchange clause in 2016



Source: MoF

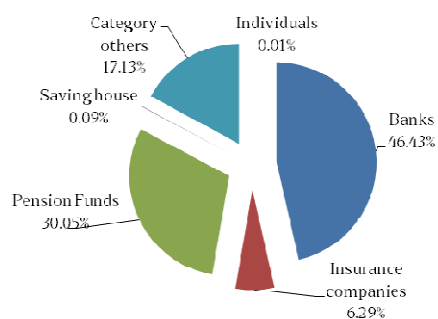
Chart 10: Interest rates on GS with foreign exchange clause in 2016



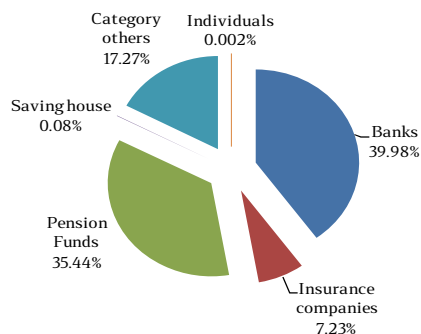
Source: MoF

Chart 11: Ownership structure of continuous GS

31st December 2015



31st December 2016

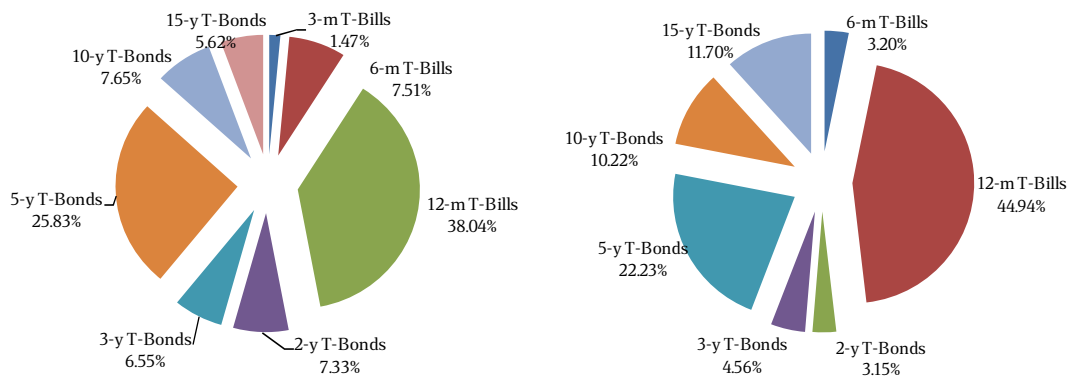


Source: MoF

Chart 12: Maturity structure of continuous GS

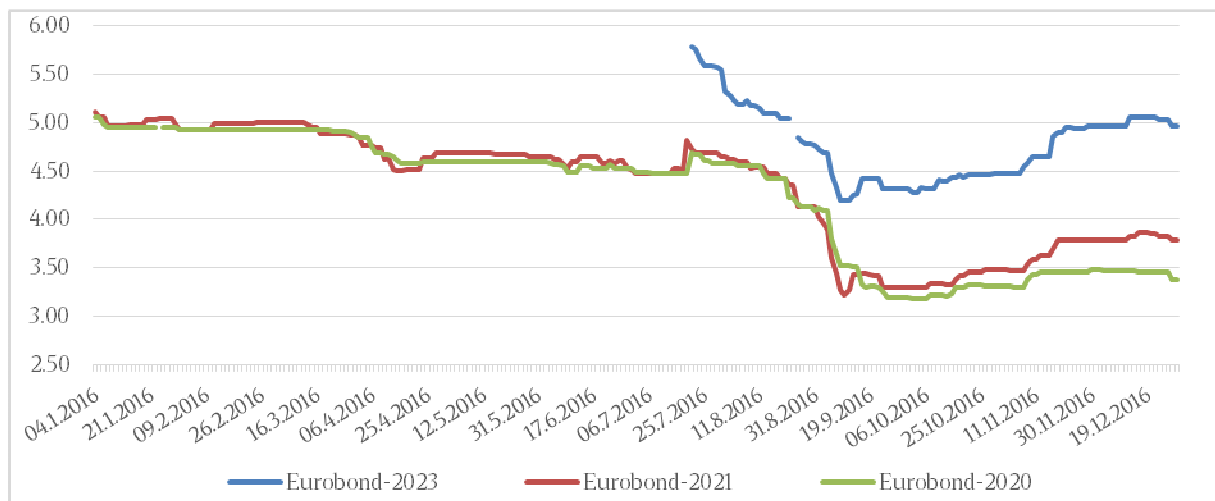
31st December 2015

31st December 2016



Source: MoF

Chart 13: Yield to maturity of Eurobonds falling due in 2020, 2021 and 2023

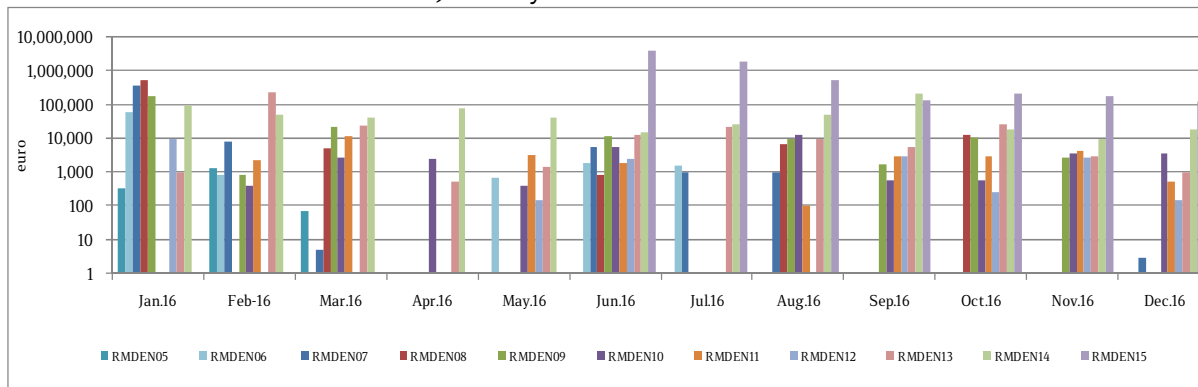


Source: MoF

IV.2 Secondary Government Securities Market

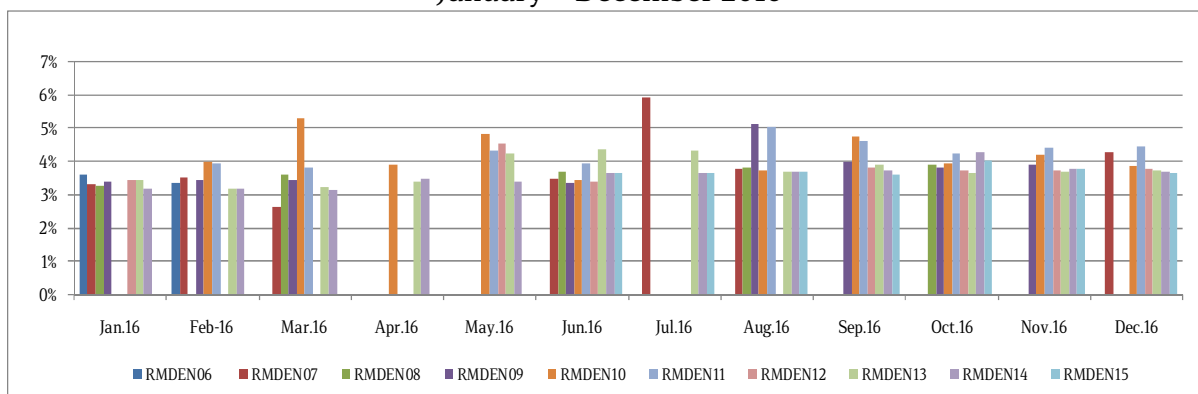
IV.2.1 Macedonian Stock Exchange AD Skopje

Chart 14: Trading volume for structural treasury bonds
January – December 2016



Source: Macedonian Stock Exchange AD Skopje

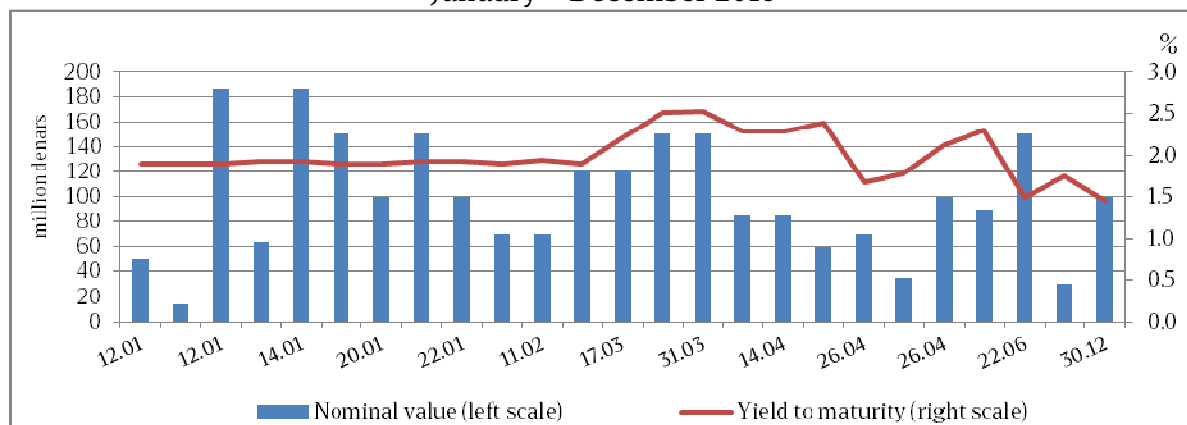
Chart 15: Yield to maturity of structural treasury bonds
January – December 2016



Source: Macedonian Stock Exchange AD Skopje

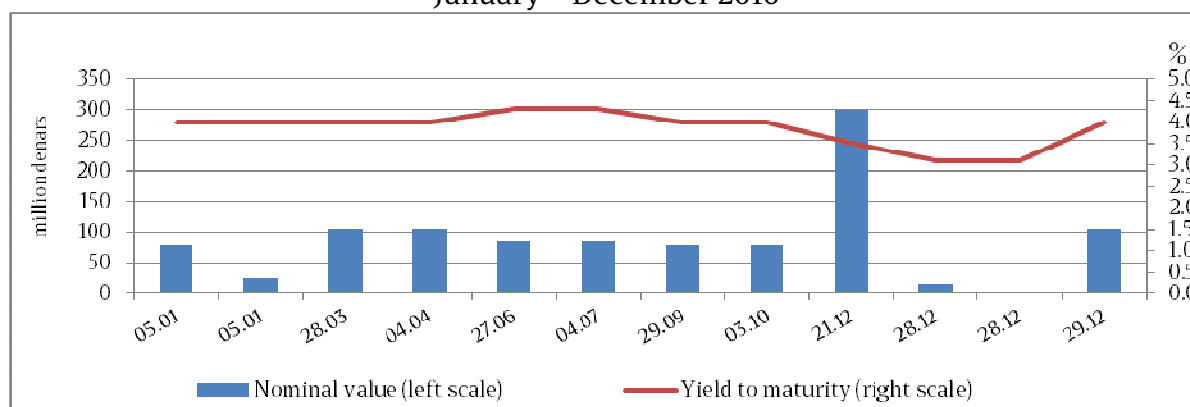
IV.2.2 Over-the-Counter Markets (OTC Markets)

Chart 16: Concluded transactions on the OTC market
January – December 2016



Source: NBRM

Chart 17: Concluded transactions on the T-bonds OTC market
January – December 2016



Source: NBRM

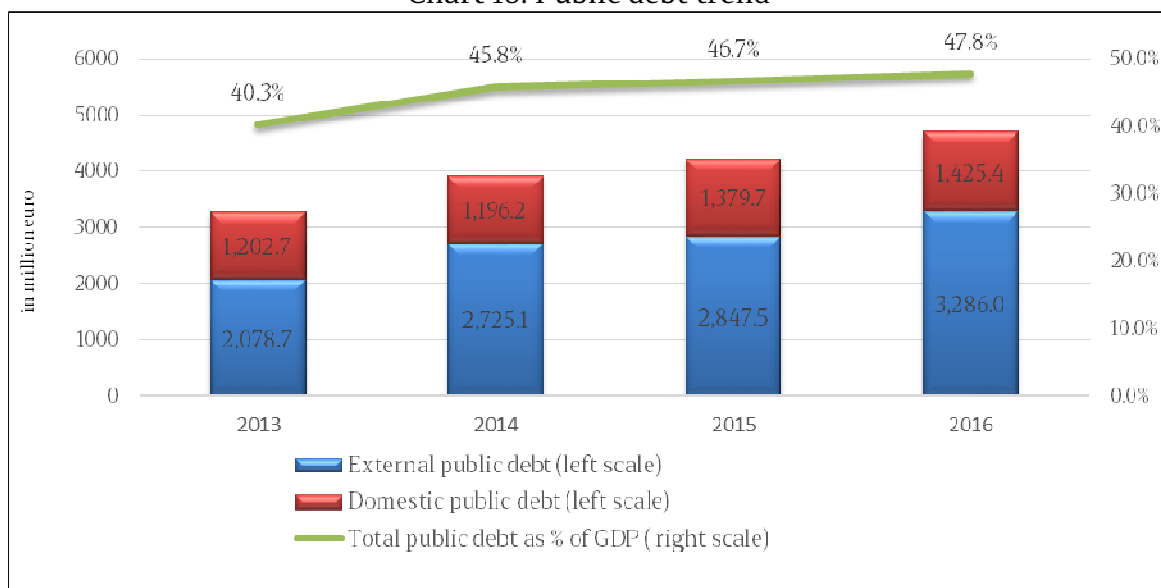
V. Public Debt Portfolio Features

Table 4: Public debt stock

(EUR million)	2013	2014	2015	2016
General government debt	2,771.6	3,262.5	3,453.3	3,851.5
Guaranteed public debt	509.8	658.9	774.0	859.9
Total public debt (general government debt + guaranteed debt)	3,281.4	3,921.3	4,227.2	4,771.4
External public debt	2,078.7	2,725.1	2,847.5	3,286.0
Domestic public debt	1,202.7	1,196.2	1,379.7	1,425.4
Total public debt as % of GDP	40.3%	45.8%	46.7%	47.8%

Source: MoF and NBRM

Chart 18: Public debt trend



Source: MoF and NBRM

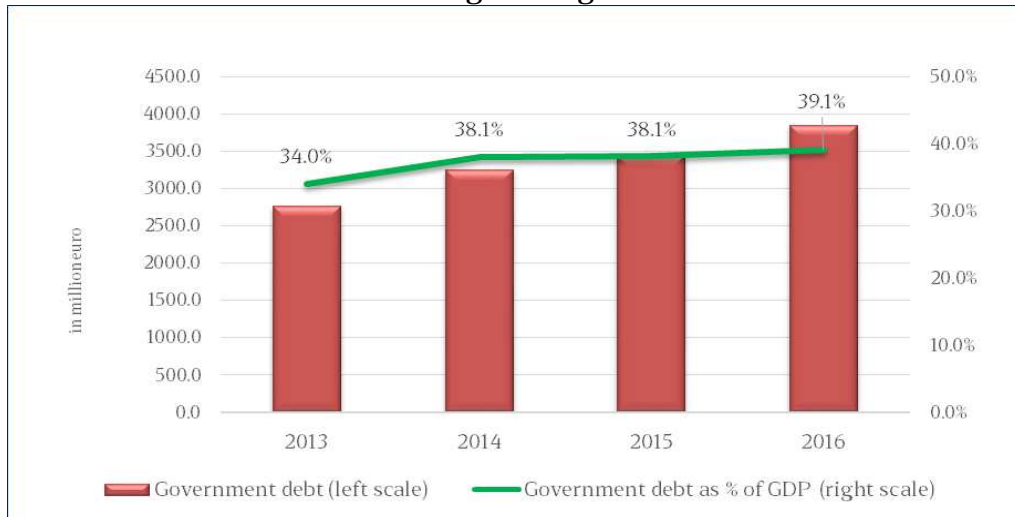
V.1 General Government Debt

Table 5: Stock of general government debt

(EUR million)	2013	2014	2015	2016
EXTERNAL GENERAL GOVERNMENT DEBT	1,597.5	2,092.2	2,096.7	2,446.6
Central government debt	1,591.9	2,086.9	2,091.5	2,442.0
Municipal debt	5.6	5.3	5.2	4.6
DOMESTIC GENERAL GOVERNMENT DEBT	1,174.1	1,170.3	1,356.6	1,404.9
Central government debt	1,165.1	1,159.5	1,344.1	1,393.7
Municipal debt	9.0	10.8	12.5	11.2
GENERAL GOVERNMENT DEBT	2,771.6	3,262.5	3,453.3	3,851.5
General government debt as % of GDP	34.0	38.1	38.1	39.1

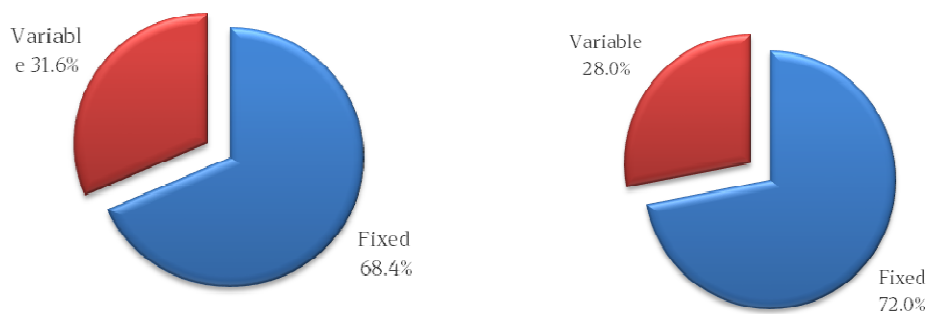
Source: MoF and NBRM

Chart 19: Trend of general government debt



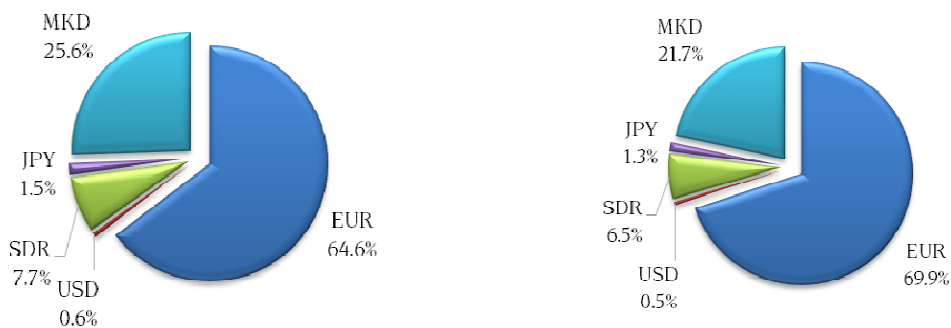
Source: MoF and NBRM

Chart 20: Interest rate structure of general government debt
31st December 2015 31st December 2016



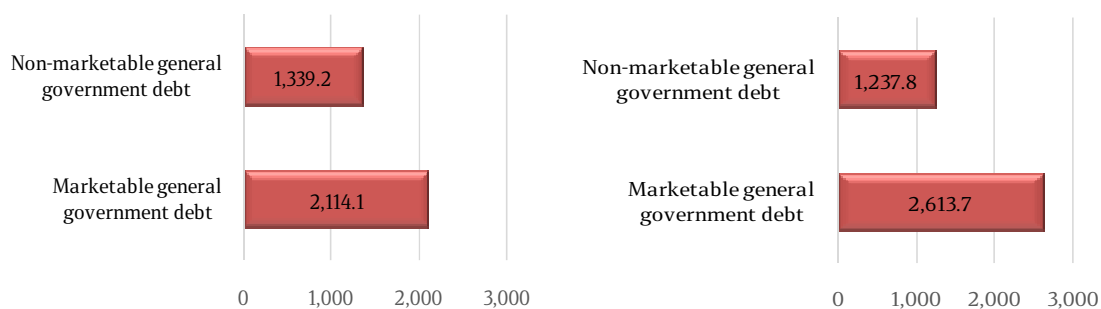
Source: MoF and NBRM

Chart 21: Currency structure of general government debt
31st December 2015 31st December 2016



Source: MoF and NBRM

Chart 22: Market/non-market general government debt
31st December 2015 31st December 2016



Source: MoF and NBRM

Indicators for General Government Debt Portfolio Risk

Table 6: Average time to maturity – ATM (in years)

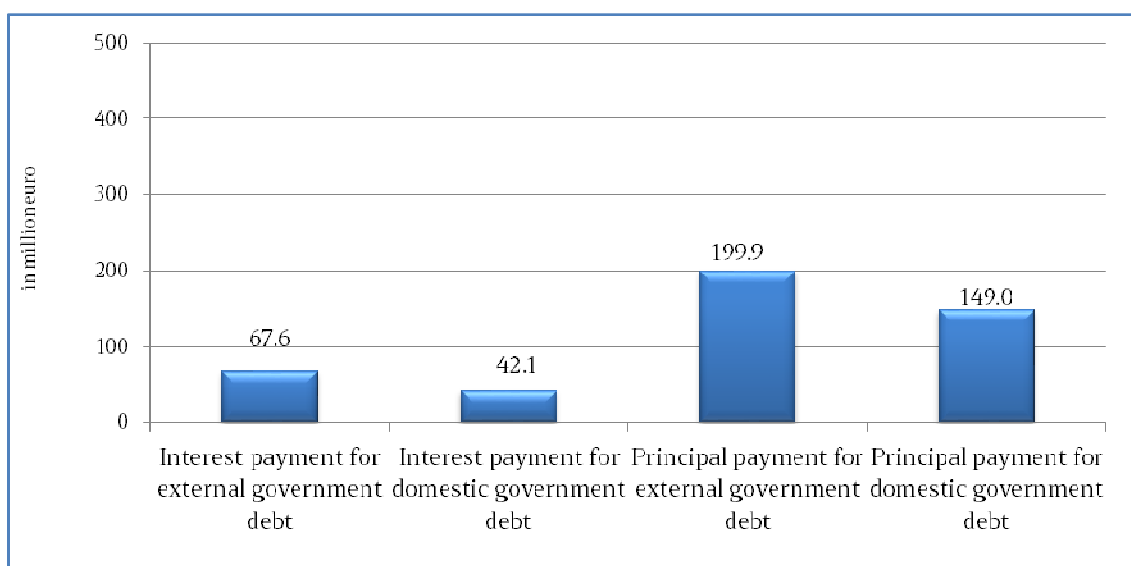
	2016
Domestic debt	3,1
External debt	5,5
Total general government debt	4,6

Table 7: Average time to refixing – ATR (in years)

	2016
Domestic debt	3,1
External debt	4,4
Total general government debt	4,0

Source: MoF

Chart 23: Repayment of interest and principal on the basis of general government debt



Source: MoF and NBRM

V.1.1 External General Government Debt

Table 8: Stock of external general government debt by creditors

(EUR million)	31.12.2013	31.12.2014	31.12.2015	31.12.2016
External general government debt	1,597.5	2,092.2	2,096.8	2,446.6
Official creditors	981.1	983.2	858.4	863.2
Multilateral creditors	883.1	888.7	764.8	773.8
IBRD	216.3	251.3	246.0	237.5
IDA	242.3	249.3	253.8	240.8
IFAD	10.8	11.1	11.3	10.8
CEB	49.1	53.0	64.1	71.0
EBRD	27.5	67.1	64.6	80.2
EIB	73.7	76.6	101.4	119.7
EU	43.6	33.6	23.6	13.6
IMF	219.7	146.7	0.0	0.0
Bilateral creditors	98.0	94.5	93.6	89.4
Private creditors	616.5	1,109.0	1,238.4	1,583.4
Eurobond	150.0	650.0	770.0	1,220.0
Other private creditors	466.5	459.0	468.4	363.4

Source: MoF and NBRM

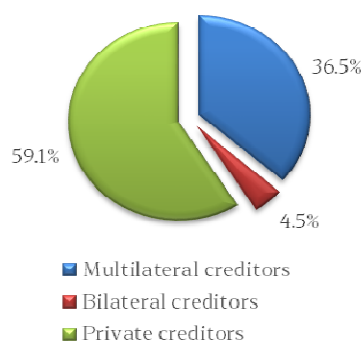
Table 9: Disbursements on the basis of concluded, but undisbursed, loans within external general government debt

(EUR million)	Disbursed funds Jan - Dec 2016
Disbursements on the basis of loans within external general government debt	545.6
Central Government debt (consolidated)	545.4
Official creditors	70.4
Multilateral creditors	70.3
IBRD	10.2
CEB	9.7
EBRD	22.2
EIB	28.1
Bilateral creditors	0.2
Private creditors	475.0
Municipal debt	0.2
Private creditors	0.2

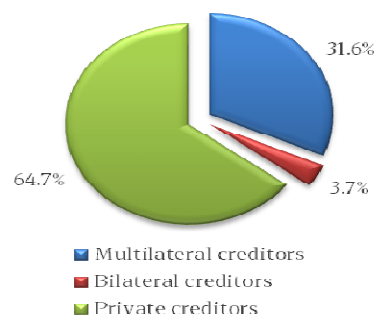
Source: MoF and NBRM

Chart 24: External general government debt structure by creditors

31st December 2015



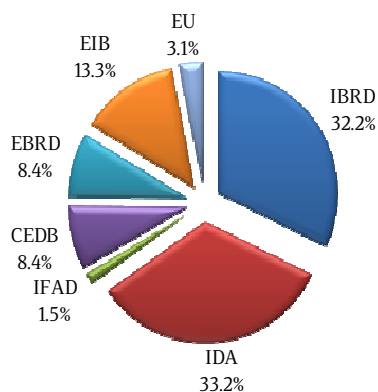
31st December 2016



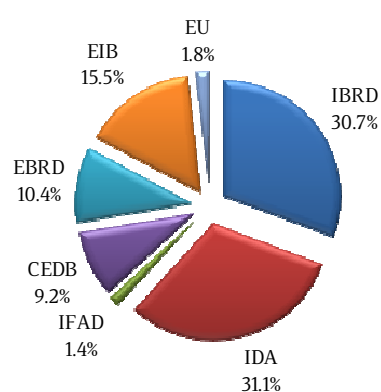
Source: MoF and NBRM

Chart 25: External general government debt structure by multilateral creditors

31st December 2015

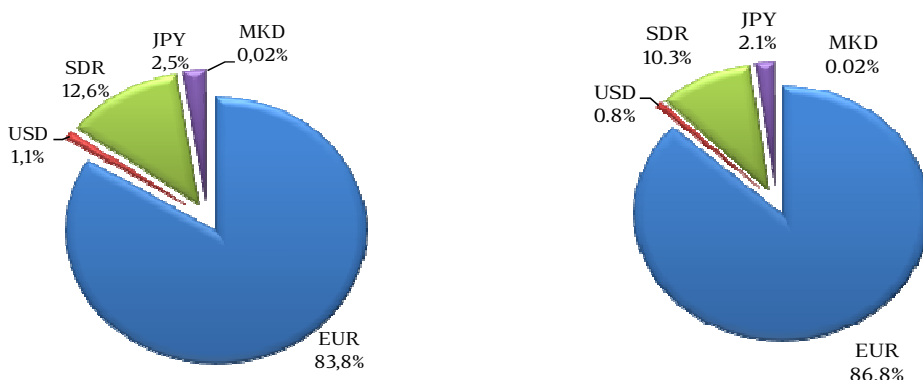


31st December 2016



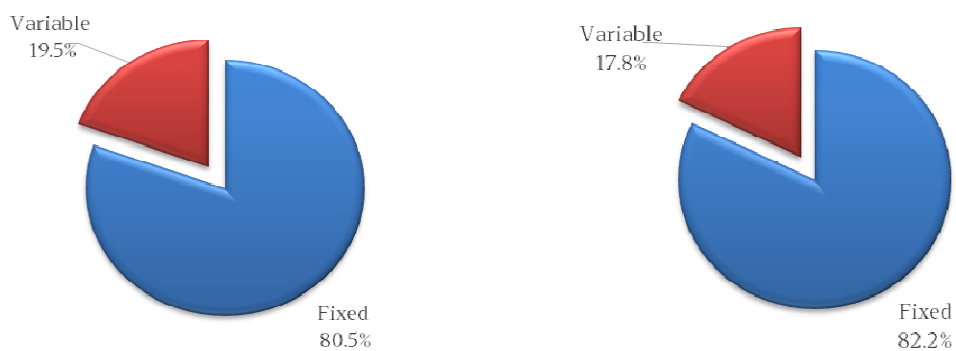
Source: MoF and NBRM

Chart 26: Currency structure of external general government debt
31st December 2015 31st December 2016



Source: MoF and NBRM

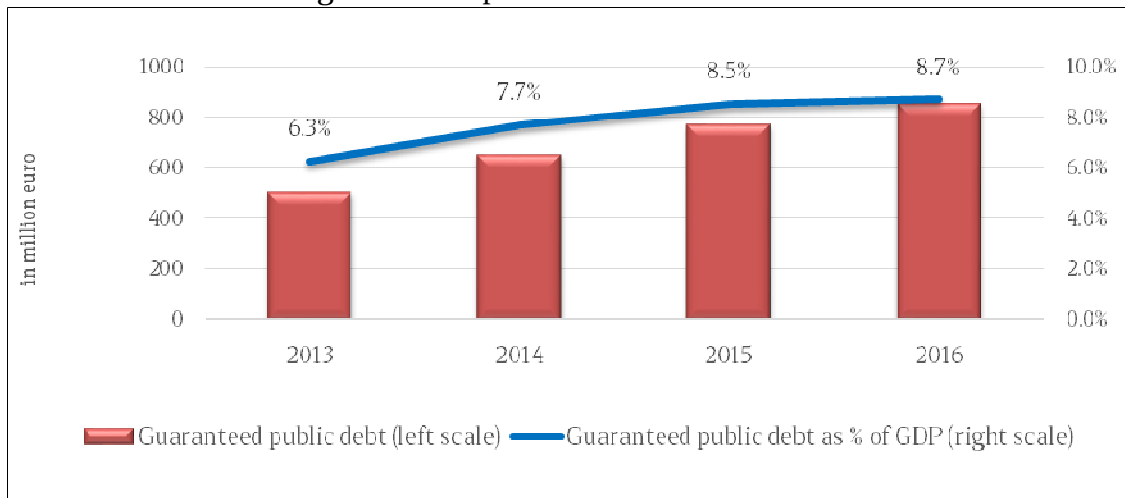
Chart 27: Interest structure of external general government debt
31st December 2015 31st December 2016



Source: MoF and NBRM

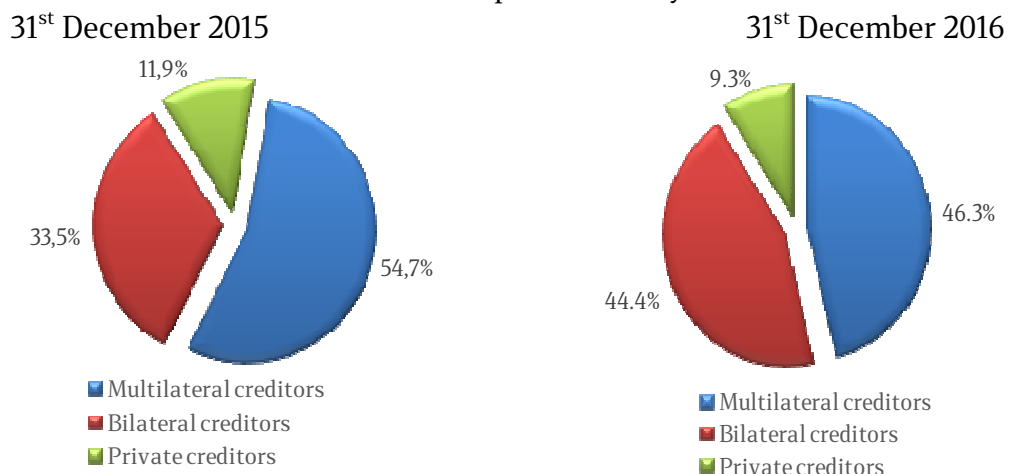
V.2 Guaranteed Public Debt

Chart 30: Stock of guaranteed public debt



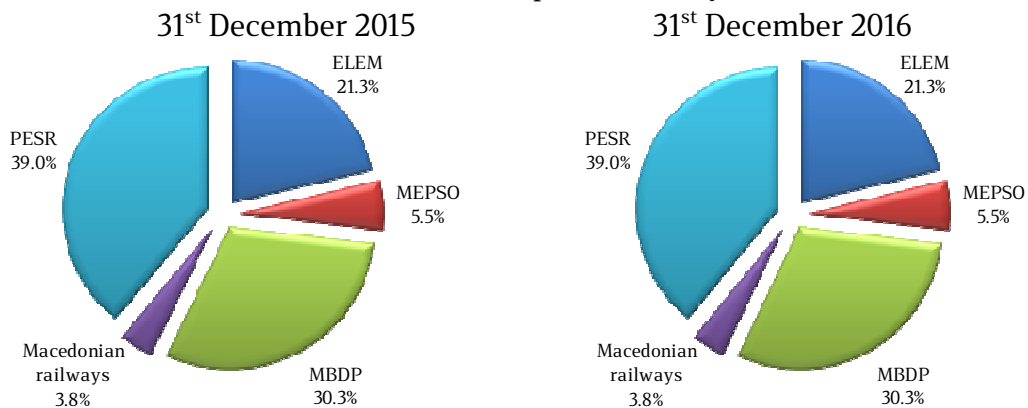
Source: MoF and NBRM

Chart 31: Guaranteed public debt by creditors



Source: MoF and NBRM

Chart 32: Guaranteed public debt by debtors



Source: MoF and NBRM