

# Project's Financial Statements and Independent Auditor's Report

Ministry of Finance of the Republic of North Macedonia

"Public Sector Energy Efficiency Project" - International Bank  
for Reconstruction and Development

Loan number 9038-MK

For the period from 12 May 2021 through  
31 December 2022



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## Independent Auditor's Report

To the Minister of Finance and Management of the Project

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We have audited the accompanying Project's financial statements of the Ministry of Finance of the Republic of North Macedonia ("the Ministry" or "MoF"), "Public Sector Energy Efficiency Project" (further referred to as "the Project"), financed under International Bank for Reconstruction and Development, Loan numbered 9038-MK, comprising the Statement of Sources and Uses of Funds, Statement of Uses of Funds by Project Activity, Statement of Unit of Output by Project Activity, Statement of Withdrawals, Designated Account Statements and related disclosure Notes (further referred to as "the Project's Financial Statements") as at and for the period from 12 may 2021 to 31 December 2022 included on pages 4 to 15.

### *Management's responsibility for the Project financial statements*

These Project's management is responsible for the preparation and fair presentation of these financial statements and for such internal control as management determines is necessary to enable the preparation of Project's financial statements that are free from material misstatements, whether due to fraud or error.

The Project's Management policy is to prepare the accompanying Project's financial statements on the cash receipts and disbursement basis in conformity with the related requirements of the World Bank's financial reporting guidelines and in compliance with the relevant provisions set out in the Loan Agreement numbered 9038-MK dated 27 April 2021. On this basis, cash receipts are recognized when received rather than when earned and cash expenditures are recognized when paid rather than when incurred.

### *Auditor's responsibility*

Our responsibility is to express an opinion on these Project's financial statements based on our audit. We conducted our audit in accordance with auditing standards accepted in the Republic of North Macedonia<sup>1</sup>. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the Project's financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Project's financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Project's financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the preparation and fair presentation of the Project's financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Project's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the Project's financial statements.

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

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<sup>1</sup> International Standards on Auditing ("ISA") issued by the [International Auditing and Assurance Standards Board](#) ("IAASB"), effective from 15 December 2009, translated and published in the "Official Gazette" of the Republic of Macedonia no. 79 from 2010.

### *Opinion*

In our opinion, the accompanying Project's financial statements of "Public Energy Efficiency Project", financed under International Bank for Reconstruction and Development, Loan numbered 9038-MK, present fairly, in all material respects, the Project's financial position as at 31 December 2022, and the movement on the Statement of Uses of Funds, Statement of Uses of Funds by Project Activity, Statement of Unit of Output by Project Activity, Statement of Withdrawals and Designated Accounts' Statements as at and for the period from 12 May 2021 to 31 December 2022, in conformity with the accounting policies described on Note 3, the related requirements of the World Bank's financial reporting guidelines and in compliance with the relevant provisions set out in the Loan Agreement numbered 9038-MK dated 27 April 2021.

### *Basis of Accounting and Restriction on Distribution and Use*

Without modifying our opinion, we draw attention to Note 3 to the Project's financial statements, which describes the basis of accounting. The financial statements are prepared to assist the Project's management to comply with the financial reporting provisions of the Agreement referred to above. Our report is intended solely for the Project Management, the Ministry of Finance of the Republic of North Macedonia and the International Bank for Reconstruction and Development and should not be distributed to or used by parties other than the Ministry and the IBRD.

  
Suzana Stavrikj  
Director  
Grant Thornton DOO, Skopje  
Suzana Stavrikj  
Certified Auditor

Skopje, 26 June 2023

## Management Responsibility

The accompanying financial statements comprising of Statement of Sources and Uses of Funds, Statement of Uses of Funds by Project Activity, Statement of Unit of Output by Project Activity, Statements of Withdrawals, Designated Account Statements and related disclosure Notes (further referred as to "Project's Financial Statements"), of the Ministry of Finance of the Republic of North Macedonia (further referred as to "MoF"), "Public Sector Energy Efficiency Project" (further referred to as "the Project"), financed under International Bank for Reconstruction and Development Loan (IBRD) numbered 9038-MK, for the period 12 May 2021 to 31 December 2022 on pages 4 to 17, are the responsibility of, and have been approved by the Project's management.

The accompanying Project's financial statements have been compiled by the Project's management, for the purposes of reporting to the MoF and the International Bank for Reconstruction and Development, in conformity with the related requirements of the World Bank's financial reporting guidelines and in compliance with the relevant provisions set out in the Loan Agreement numbered 9038-MK dated 27 April 2021.

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

Grant Thornton doo Skopje, Independent Auditor, have been engaged to audit these Project's financial statements in accordance with the auditing standards accepted in the Republic of North Macedonia<sup>1</sup>. Their report is included on pages 2 and 3.



Tanja Tomic,

Lead Project Coordinator

22 June 2023

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<sup>1</sup> International Standards on Auditing ("ISA") issued by the International Auditing and Assurance Standards Board ("IAASB"), effective from 15 December 2009, translated and published in the "Official Gazette" of the Republic of Macedonia no. 79 from 2010.

Project's Financial Statements  
 12 May 2021 through 31 December 2022

# Statement of Sources and Uses of Funds – Loan number 9038-MK

(Amounts in EUR)  
 For the period from 12 May 2021 through  
 31 December 2022

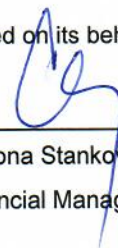
	Actual		Budget		Variance	
	Current period	Cumulative	Current period*	Cumulative	Current period	Cumulative
<b>Sources of funds</b>						
IBRD Loan 9038-MK	1,153,729	1,153,729	723,937	25,000,000	429,792	(23,846,271)
Interest earned	-	-	-	-	-	-
<b>Total sources of funds</b>	<b>1,153,729</b>	<b>1,153,729</b>	<b>723,937</b>	<b>25,000,000</b>	<b>429,792</b>	<b>(23,846,271)</b>
<b>Uses of funds</b>						
<b>Financed by IBRD</b>						
Component 1. Energy efficiency investments in the public sector	263,147	263,147	528,577	18,000,000	(265,430)	(17,736,853)
Component 2. Technical assistance and implementation support	296,133	296,133	195,360	1,937,500	100,773	(1,641,367)
Component 3. Initial capital for the proposed EE Fund	-	-	-	5,000,000	-	(5,000,000)
<b>Subtotal - Financed by IBRD</b>	<b>559,280</b>	<b>559,280</b>	<b>723,937</b>	<b>24,937,500</b>	<b>164,657</b>	<b>(24,378,220)</b>
Front-end fee	62,500	62,500	-	62,500	-	-
<b>Total uses of funds</b>	<b>621,780</b>	<b>621,780</b>	<b>723,937</b>	<b>25,000,000</b>	<b>164,657</b>	<b>(24,378,220)</b>
<b>Balance</b>	<b>531,949</b>	<b>531,949</b>				
Net increase/ (decrease) in cash flow	531,949	531,949				
<b>Bank balances beginning of period</b>	<b>-</b>	<b>-</b>				
<b>Bank balance end of period</b>	<b>531,949</b>	<b>531,949</b>				

\*The budgeted amounts for the current period are projected amounts by the Project Implementation Unit.

The Project's Financial Statements have been approved by the MoF on 22 June 2023 and signed on its behalf by:



Tanja Tomic,  
 Lead Project Coordinator



Simona Stankovikj  
 Financial Management Specialist

Project's Financial Statements  
 12 May 2021 through 31 December 2022

# Statement of Uses of Funds by Project Activity - Loan number 9038-MK

(Amounts in EUR)  
 For the period from 12 May 2021 through  
 31 December 2022

	Actual		Budget		Variance	
	Current period	Cumulative	Current period	Cumulative	Current period	Cumulative
<b>Component 1: Energy efficiency investments in the public sec</b>	<b>263,147</b>	<b>263,147</b>	<b>528,577</b>	<b>18,000,000</b>	<b>(265,430)</b>	<b>(17,736,853)</b>
<b>Component 1a. EE Investments in municipal sector</b>	-	-	-	<b>10,500,000</b>	-	<b>(10,500,000)</b>
<b>Probishtip</b>	-	-	-	<b>340,676</b>	-	<b>(340,676)</b>
<i>Probishtip</i>	-	-	-	340,676	-	(340,676)
<b>Other sub-loans</b>	-	-	-	<b>10,159,324</b>	-	<b>(10,159,324)</b>
<i>Other sub-loans</i>	-	-	-	10,159,324	-	(10,159,324)
<b>Component 1b. EE Investments in Central Government Buildings</b>	-	-	-	<b>5,000,000</b>	-	<b>(5,000,000)</b>
<b>Other contracts</b>	-	-	-	<b>5,000,000</b>	-	<b>(5,000,000)</b>
<i>Other contracts</i>	-	-	-	5,000,000	-	(5,000,000)
<b>Component 1c. Technical studies to support investments</b>	<b>263,147</b>	<b>263,147</b>	<b>528,577</b>	<b>2,500,000</b>	<b>(265,430)</b>	<b>(2,236,853)</b>
<b>IZZIS</b>	<b>234,572</b>	<b>234,572</b>	<b>242,832</b>	<b>242,832</b>	<b>(8,260)</b>	<b>(8,260)</b>
<i>IZZIS-seizmic screening</i>	234,572	234,572	242,832	242,832	(8,260)	(8,260)
<b>Prima Inzenering</b>	<b>15,634</b>	<b>15,634</b>	<b>156,335</b>	<b>156,335</b>	<b>(140,701)</b>	<b>(140,701)</b>
<i>Prima Inzenering- LOT 3</i>	15,634	15,634	156,335	156,335	(140,701)	(140,701)
<b>Geing DOO</b>	<b>12,941</b>	<b>12,941</b>	<b>129,410</b>	<b>129,410</b>	<b>(116,469)</b>	<b>(116,469)</b>
<i>Geing DOO- LOT 2</i>	12,941	12,941	129,410	129,410	(116,469)	(116,469)
<b>Prima Inzenering -LOT1</b>	-	-	-	<b>67,440</b>	-	<b>(67,440)</b>
<i>Prima Inzenering-LOT 1</i>	-	-	-	67,440	-	(67,440)
<b>Kvadar</b>	-	-	-	<b>5,459</b>	-	<b>(5,459)</b>
<i>Kvadar</i>	-	-	-	5,459	-	(5,459)
<b>GIM</b>	-	-	-	<b>69,886</b>	-	<b>(69,886)</b>
<i>Gradezen Institut Makedonija- GIM</i>	-	-	-	69,886	-	(69,886)
<b>Other contracts</b>	-	-	-	<b>1,828,638</b>	-	<b>(1,828,638)</b>
<i>Other contracts</i>	-	-	-	1,828,638	-	(1,828,638)
<b>Sub-total Component 1 for EE:</b>	<b>263,147</b>	<b>263,147</b>	<b>528,577</b>	<b>18,000,000</b>	<b>(265,430)</b>	<b>(17,736,853)</b>
<b>Component 2: Technical assistance and implementation support</b>	<b>296,133</b>	<b>296,133</b>	<b>195,360</b>	<b>1,937,500</b>	<b>100,773</b>	<b>(1,641,367)</b>
<b>Support to develop the EE Fund</b>	<b>126,560</b>	<b>126,560</b>	<b>9,000</b>	<b>317,900</b>	<b>117,560</b>	<b>(191,340)</b>
<i>KP Consultancy Services</i>	117,560	117,560	-	293,900	117,560	(176,340)
<i>Energy Efficiency Associate</i>	9,000	9,000	9,000	24,000	-	(15,000)
<b>TA for additional secondary EE legislation</b>	-	-	-	<b>150,000</b>	-	<b>(150,000)</b>
<i>Contract 1</i>	-	-	-	150,000	-	(150,000)
<b>Training of market actors</b>	-	-	-	<b>221,328</b>	-	<b>(221,328)</b>
<i>Contract 1</i>	-	-	-	221,328	-	(221,328)
<b>Project Implementation Support</b>	<b>155,399</b>	<b>155,399</b>	<b>156,360</b>	<b>942,090</b>	<b>(961)</b>	<b>(786,690)</b>
<i>Lead Project Coordinator</i>	12,444	12,444	14,300	108,864	(1,856)	(96,420)
<i>FM Specialist</i>	10,944	10,944	11,728	95,040	(784)	(84,096)
<i>Procurement and Legal Coordinator</i>	10,940	10,940	11,728	89,040	(788)	(78,100)

Project's Financial Statements  
 12 May 2021 through 31 December 2022

Statement of Uses of Funds by Project Activity - Loan number 9038-MK (continued)

(Amounts in EUR)  
 For the period from 01 May 2021 through  
 31 December 2022

	Actual		Budget		Variance	
	Current period	Cumulative	Current period*	Cumulative	Current period	Cumulative
<i>Procurement Assistant</i>	4,397	4,397	4,398	4,398	(1)	(1)
<i>Technical Coordinator/Construction Engineer JT</i>	10,304	10,304	11,728	77,760	(1,424)	(67,456)
<i>Construction Engineer RP</i>	6,320	6,320	6,320	6,320	-	-
<i>Construction Engineer JZB</i>	5,716	5,716	5,761	5,716	-	-
<i>Construction Engineer ZD</i>	5,720	5,720	5,722	5,720	(2)	-
<i>Construction Engineer GT</i>	3,264	3,264	3,266	3,264	(2)	-
<i>Construction Engineer FM</i>	9,021	9,021	10,009	77,760	(988)	(68,739)
<i>Construction Engineer RL/ Construction Coordinator</i>	9,661	9,661	10,009	95,040	(348)	(85,379)
<i>Environmental Specialist</i>	9,324	9,324	10,360	80,784	(1,036)	(71,460)
<i>Mechanical Engineer</i>	23,310	23,310	24,310	77,760	(1,000)	(54,450)
<i>Electrical Engineer</i>	13,314	13,314	8,580	77,760	4,734	(64,446)
<i>Office Manager/ Translator</i>	7,044	7,044	4,400	54,432	2,644	(47,388)
<i>Administrative/Operative Assistant</i>	5,831	5,831	5,686	54,432	144	(48,601)
<i>Economy and Procurement Associate</i>	3,198	3,198	3,200	3,200	(2)	(2)
<i>Communication Analyst</i>	4,644	4,644	4,900	24,800	(256)	(20,156)
<b>Project Audit</b>	-	-	-	<b>40,652</b>	-	<b>(40,652)</b>
<i>Project Audit</i>	-	-	-	40,652	-	(40,652)
<b>Operating costs</b>	<b>4,807</b>	<b>4,807</b>	<b>10,000</b>	<b>215,530</b>	<b>(5,193)</b>	<b>(210,723)</b>
<i>Operating costs</i>	4,807	4,807	10,000	215,530	(5,193)	(210,723)
<b>Equipment for PIU</b>	<b>9,367</b>	<b>9,367</b>	<b>20,000</b>	<b>50,000</b>	<b>(10,633)</b>	<b>(40,633)</b>
<i>Equipment for PIU</i>	9,367	9,367	20,000	50,000	(10,633)	(40,633)
<b>Sub-total Component 2 for EE:</b>	<b>296,133</b>	<b>296,133</b>	<b>195,360</b>	<b>1,937,500</b>	<b>100,773</b>	<b>(1,641,367)</b>
<b>Component 3: Initial capital for the proposed EE Fund</b>	-	-	-	<b>5,000,000</b>	-	<b>(5,000,000)</b>
<b>Other contracts</b>	-	-	-	<b>5,000,000</b>	-	<b>(5,000,000)</b>
<i>Other contracts</i>	-	-	-	5,000,000	-	(5,000,000)
<b>Sub-total Component 3 for EE:</b>	-	-	-	<b>5,000,000</b>	-	<b>(5,000,000)</b>
<b>FRONT-END FEE-Original Loan</b>	<b>62,500</b>	<b>62,500</b>	-	<b>62,500</b>	-	-
<b>FRONT-END FEE-Additional Financing</b>	-	-	-	-	-	-
<b>Total Project Expenditure</b>	<b>621,780</b>	<b>621,780</b>	<b>723,937</b>	<b>25,000,000</b>	<b>(249,285)</b>	<b>(24,378,220)</b>

\* The budgeted amounts for the current period are projected amounts by the Project Implementation Unit



Project's Financial Statements  
 12 May 2021 through 31 December 2022

# Statement of Unit of Output by Project Activity - Loan number 9038-MK

Project Activities	B	C	D	E	F	G	H	I	J
	Procurement plan amount Euro	Contracted in Euro equivalent	Paid Amount in Euro Equivalent	Procurement Method*	Contract Amount original currency	Paid original currency	Contract amount local currency	Paid amount local currency	Commitment in contract currency (F-G)
A	B	C	D	E	F	G	H	I	J
Component 1: Energy efficiency investments in the public sec	18,000,000	1,022,038	263,147	-	-	-	62,651,440	16,119,317	-
Component 1a. EE Investments in municipal sector	10,500,000	-	-	-	-	-	-	-	-
Probishtip	340,676	340,676	-	-	-	-	20,883,466	-	-
Probishtip	340,676	340,676	-	NCB	20,883,466 MKD	-	20,883,466	-	20,883,466 MKD
Other sub-loans	10,159,324	-	-	-	-	-	-	-	-
Other sub-loans	10,159,324	-	-	-	-	-	-	-	-
Component 1b. EE Investments in Central Government Buildings	5,000,000	-	-	-	-	-	-	-	-
Other contracts	5,000,000	-	-	-	-	-	-	-	-
Other contracts	5,000,000	-	-	-	-	-	-	-	-
Component 1c. Technical studies to support investments	2,500,000	-	263,147	-	-	-	-	16,119,317	-
IZZIS	242,832	242,832	234,572	-	-	-	14,885,602	14,370,885	-
IZZIS-seizmic screening	242,832	242,832	234,572	NCB	242,832 EUR	234,572 EUR	14,885,602	14,370,885	8,260 EUR
Prima Inzenering	156,335	156,335	15,634	-	-	-	9,583,336	956,605	-
Prima Inzenering- LOT 3	156,335	156,335	15,634	CQ	156,335 EUR	15,634 EUR	9,583,336	956,605	140,701 EUR
Geing DOO	129,410	129,410	12,941	-	-	-	7,932,833	791,827	-
Geing DOO- LOT 2	129,410	129,410	12,941	CQ	129,410 EUR	12,941 EUR	7,932,833	791,827	116,469 EUR

Project's Financial Statements  
 12 May 2021 through 31 December 2022

Project Activities	B	C	D	E	F	G	H	I	J
	Procurement plan amount Euro	Contracted in Euro equivalent	Paid Amount in Euro Equivalent	Procurement Method	Contract Amount original currency	Paid original currency	Contract amount local currency	Paid amount local currency	Commitment in contract currency (F-G)
A									
Prima Inzenering -LOT1	67,440	67,440	-	-	-	-	4,134,072	-	-
Prima Inzenering-LOT 1	67,440	67,440	-	CQ	67,440 EUR	-	4,134,072	-	67,440 EUR
Kvadar	5,459	5,459	-	-	-	-	335,120	-	-
Kvadar	5,459	5,459	-	CQ	335,120 MKD	-	335,120	-	335,120 MKD
GIM	69,886	79,886	-	-	-	-	4,897,012	-	-
Gradezen Institut Makedonija- GIM	69,886	79,886	-	CQ	79,886 EUR	-	4,897,012	-	79,886 EUR
Other contracts	1,828,638	-	-	-	-	-	-	-	-
Other contracts	1,828,638	-	-	-	-	-	-	-	-
<b>Sub-total Component 1:</b>	<b>18,000,000</b>	<b>1,022,038</b>	<b>263,147</b>				<b>62,651,440</b>	<b>16,119,317</b>	
<b>Component 2: Technical assistance and implementation support</b>	<b>1,937,500</b>	<b>1,186,897</b>	<b>296,133</b>				<b>72,761,891</b>	<b>18,204,129</b>	
Support to develop the EE Fund	317,900	317,900	126,560	-	-	-	19,487,270	7,804,673	-
KP Consultancy Services	293,900	293,900	117,560	NCB	293,900 EUR	117,560 EUR	18,016,070	7,252,952	176,340 EUR
Energy Efficiency Associate	24,000	24,000	9,000	SIC	24,000 EUR	9,000-EUR	1,471,200	551,721	15,000 EUR
TA for additional secondary EE legislation	150,000	-	-	-	-	-	-	-	-
Contract 1	150,000	-	-	-	-	-	-	-	-
Training of market actors	221,328	-	-	-	-	-	-	-	-
Contract 1	221,328	-	-	-	-	-	-	-	-
Project Implementation Support	942,090	786,954	155,399	-	-	-	48,240,280	9,529,614	-
Lead Project Coordinator	108,864	88,000	12,444	SIC	88,000 EUR	12,444 EUR	5,394,400	763,229	75,556 EUR
FM Specialist	95,040	78,000	10,944	SIC	78,000 EUR	10,944 EUR	4,781,400	671,231	67,056 EUR
Procurement and Legal Coordinator	89,040	78,000	10,940	SIC	78,000 EUR	10,940 EUR	4,781,400	670,964	67,060 EUR
Procurement Assistant	4,398	4,397	4,397	SIC	4,397 EUR	4,397 EUR	269,536	269,547	-
Technical Coordinator/Construction Engineer JT	77,760	66,500	10,304	SIC	66,500 EUR	10,304 EUR	4,076,450	631,942	56,196 EUR
Construction Engineer RP	6,320	6,320	6,320	SIC	6,320 EUR	6,320 EUR	387,416	387,412	-
Construction Engineer JZB	5,716	5,716	5,716	SIC	5,716 EUR	5,716 EUR	350,391	350,415	-
Construction Engineer ZD	5,720	5,720	5,720	SIC	5,720 EUR	5,720 EUR	350,636	350,634	-
Construction Engineer GT	3,264	3,264	3,264	SIC	3,264 EUR	3,264 EUR	200,083	200,146	-
Construction Engineer FM	77,760	65,300	9,021	SIC	65,300 EUR	9,020 EUR	4,002,890	553,266	56,279 EUR
Construction Engineer RL/ Construction Coordinator	95,040	67,717	9,661	SIC	67,717 EUR	9,660 EUR	4,151,052	592,555	58,056 EUR

Project's Financial Statements  
 12 May 2021 through 31 December 2022

Project Activities	B	C	D	E	F	G	H	I	J
	Procurement plan amount Euro	Contracted in Euro equivalent	Paid Amount in Euro Equivalent	Procurement Method	Contract Amount original currency	Paid original currency	Contract amount local currency	Paid amount local currency	Commitment in contract currency (F-G)
<i>Environmental Specialist</i>	80,784	67,220	9,324	SIC	67,720 EUR	9,324 EUR	4,120,586	571,882	58,396 EUR
<i>Mechanical Engineer</i>	77,760	51,480	23,310	SIC	51,480 EUR	23,310 EUR	3,155,724	1,429,488	28,170 EUR
<i>Electrical Engineer</i>	77,760	64,872	13,314	SIC	64,872 EUR	13,314 EUR	3,976,654	816,243	51,558 EUR
<i>Office Manager/ Translator</i>	54,432	52,000	7,044	SIC	52,000 EUR	7,044 EUR	3,187,600	432,051	44,956 EUR
<i>Administrative/Operative Assistant Economy and Procurement Associate</i>	54,432	47,250	5,831	SIC	47,250 EUR	5,830 EUR	2,896,425	357,708	41,419 EUR
<i>Communication Analyst</i>	3,200	3,198	3,198	SIC	3,198 EUR	3,198 EUR	196,038	196,034	-
<b>Project Audit</b>	24,800	32,000	4,644	SIC	32,000 EUR	4,644 EUR	1,961,600	284,867	27,356 EUR
<i>Project Audit</i>	40,652	22,676	-	-	-	-	1,394,347	-	-
<i>Operating costs</i>	40,652	22,676	-	LCS	1,394,347 MKD	-	1,394,347	-	1,394,347 MKD
<i>Operating costs</i>	215,530	50,000	4,807	-	-	-	3,065,000	294,848	-
<i>Equipment for PIU</i>	215,530	50,000	4,807	NA	3,056,000 MKD	294,848-MKD	3,065,000	294,848	2,761,152 MKD
<i>Equipment for PIU</i>	50,000	9,367	9,367	-	-	-	574,994	574,994	-
<i>Equipment for PIU</i>	50,000	9,367	9,367	NA	574,994 MKD	574,994-MKD	574,994	574,994	-
<b>Sub-total Component 2:</b>	<b>1,937,500</b>	<b>1,186,897</b>	<b>296,130</b>				<b>72,761,891</b>	<b>18,204,129</b>	
<b>Component 3: Initial capital for the proposed EE Fund</b>	<b>5,000,000</b>	-	-	-	-	-	-	-	-
<b>Other contracts</b>	<b>5,000,000</b>	-	-	-	-	-	-	-	-
<i>Other contracts</i>	5,000,000	-	-	-	-	-	-	-	-
<b>Sub-total Component 3:</b>	<b>5,000,000</b>	-	-	-	-	-	-	-	-
<b>FRONT-END FEE Original Loan</b>	<b>62,500</b>	<b>62,500</b>	<b>62,500</b>	-	-	-	-	-	-
<b>FRONT-END FEE Additional financing</b>	-	-	-	-	-	-	-	-	-
<b>Total Project Expenditure</b>	<b>25,000,000</b>	<b>2,271,435</b>	<b>621,780</b>				<b>135,413,331</b>	<b>34,323,446</b>	

\*Abbreviations:  
 NCB – National competitive bidding  
 CQ- Consultant's qualifications-based selection  
 SIC-Selection of individual consultants  
 LCS - Least-cost selection

Project's Financial Statements  
12 May 2021 through 31 December 2022

## Statement of Withdrawals – Designated Accounts

(Amounts in EUR)  
12 May 2021 through  
31 December 2022

Application # and date	Total Requested	Total Received	Difference
<b>MSIP2 8561-MK</b>			
#1/ 01 July 2021	250,000	250,000	-
#2/ 22 December 2021	48,718	48,718	-
#3/ 03 August 2022	792,511	792,511	-
			-

Project's Financial Statements  
12 May 2021 through 31 December 2022

# Statement of Designated Accounts – EUR

Account number	00-701-0001844.4
Depository Bank	National Bank of the Republic of North Macedonia
Address	Blvd Kuzman Josifovski Pitu 1, 1000 Skopje, Republic of North Macedonia
Loan Number	9038-MK
Currency	EUR

(Amounts in EUR)  
For the period from  
12 May 2021 through  
31 December 2022

<b>At 12 May 2021</b>	-
<hr/>	
<b>Add: Inflows</b>	
Replenishment during the period	1,153,729
	<b>1,153,729</b>
<hr/>	
<b>Deduct: Outflows</b>	
Transfer to treasury account (Mirror designated account) - MKD	(559,342)
Intermediate Bank fee	(100)
Front end fee	(62,500)
	<b>(621,942)</b>
<b>At 31 December 2022</b>	<b>531,787</b>

Project's Financial Statements  
12 May 2021 through 31 December 2022

## Statement of Treasury Accounts (Mirror Designated Accounts) – MKD

Account number	090010016778609
Depository Bank	National Bank of the Republic of North Macedonia
Address	Blvd Kuzman Josifovski Pitu 1, 1000 Skopje, Republic of North Macedonia
Loan Number	9038-MK
Currency	Macedonian Denars ("MKD")

(Amounts in EUR)  
For the period from  
12 May 2021 through  
31 December 2022

<b>At 12 May 2021</b>	-
<b>Add: Inflows</b>	
Transfer from designated account – EUR	559,342
	<b>559,342</b>
<b>Deduct: Outflows</b>	
Amount of eligible expenses paid during the period	(558,934)
Transfer to petty cash	(408)
	<b>(559,342)</b>
<b>At 31 December 2022</b>	-

Project's Financial Statements  
12 May 2021 through 31 December 2022

## Statement of Petty Cash in Denar Account

Loan Number	9038-MK
Currency	Macedonian Denars ("MKD")
	(Amounts in EUR)
	For the period from 12 May 2021 through 31 December 2022
<b>At 12 May</b>	<b>-</b>
<b>Add: Inflows</b>	
Transfer from Mirror Designated Account – MKD	408
	<b>408</b>
<b>Deduct: Outflows</b>	
Amount of eligible expenses paid during the period	(246)
	<b>(246)</b>
<b>At 31 December</b>	<b>162</b>

# Notes to Project's financial statements

## 1 General

On 27 April 2021 the Ministry of Finance of the Republic of Macedonia (MoF), entered into the Grant Agreement 9038-MK with the International Bank for Reconstruction and Development ("IBRD") for financing the "Public Sector Energy Efficiency Project" in an amount not to exceed EUR 25,000,000. The Closing Date of the project is 30 September 2025.

The following table underlines the categories of Eligible Expenditures that may be financed out of the proceeds of the Loan No. 9038-MK ("Category"), the allocation of the amounts of the Loan to each Category, and the percentage of expenditures to be financed for the Eligible Expenditures in each Category:

Category	Amount of the Loan allocated (expressed in Euro)	Percentage of the Expenditures to be financed
Goods, works, non-consulting services, consultants' services, Training, Operating Costs under Parts 1.2, 1.3 and 2 of the Project	9,437,500	100%
Sub-loans and Grants under Part 1.1 of the Project	10,500,000	100% of the amount disbursed under each Sub-Loan and Grant
Goods, works, non-consulting services, consultants' services, Training, Operating Costs under Parts 3 of the Project	5,000,000	100%
Front-end Fee	62,500	0.25%
		Amount due to pursuant Section 4.05 © of the General Conditions
Interest Rate Cap or Interest Rate Collar premium	-	
<b>Total</b>	<b>25,000,000</b>	

## 2 Project Objectives, Activities and Institutional Arrangements

### Project Objectives and Activities

The Project Development Objectives are to: (i) reduce energy consumption in the public sector; and (ii) support the development and implementation of a sustainable financing mechanism for energy efficiency in the public sector. The Project consists of the following components:

**Component 1. Energy efficiency investments in the public sector (€18 million IBRD).** Under this Component, EE and some renewable energy (RE) investments ("subprojects") are undertaken in public facilities (covering municipal buildings, central government buildings and public lighting.). It is expected that these subprojects will generate demonstrable energy cost savings and social co-benefits, which would be the basis for developing a sustainable mechanism under the proposed EE Fund. This component is supporting preparation of the energy audits and technical designs, technical audits, construction supervision, final commissioning/energy performance certificates, as well as renovation works for municipal buildings and renovation of central government buildings (health buildings).



Notes to Project's financial statements (continued)  
Project Objectives and Activities (continued)

- a) *Component 1(a) EE Investments in Municipal Sector (Est. cost €10.5 million).* Municipalities applied for financing on a rolling basis with proposals for the renovation of building under their management and public lighting systems. Financing is provided through sub-loan agreements in the form of long-term domestic borrowing with 80% and a 20% grant portion. Sub-loans would generally be repaid over a 7-12 year period. Eligible municipalities must have sufficient debt capacity to borrow for the proposed subproject. The Project seeks to ensure minimum technical performance of the renovated buildings (i.e., country's Class C energy performance certificates or higher) and should include a minimum savings of 20%, an investment cost of at least €50,000 but not more than €750,000.
- b) *Component 1b. EE Investments in Central Government Buildings (€5 million).* Some of the public buildings that provide public services at the local level are managed by the central government, and this includes health centers and regional hospitals. Under this Component, energy efficiency and renewable energy investments are undertaken in public buildings managed by the central government focusing on the health sector. The Project is supporting preparation of energy audits, technical design, renovation works, construction supervision and all services and works will be procured directly by the PIU. It was agreed the component will focus on primary healthcare clinics (outpatient) with prioritization on those that are older, more dilapidated and have higher energy use.
- c) *Component 1c. Technical studies to support investments (€2.5 million).* This subcomponent supports subproject screening, detailed energy audits, technical designs and technical specifications, and construction supervision for investments undertaken in Components 1a and 1b.

**Component 2. Technical assistance and implementation support (€1.937.500 million IBRD).** The Energy Efficiency Law, which includes a provision for the establishment of the proposed EE Fund, was adopted by the Parliament on 18.02.2020. This, along with various transposed EU directives and other secondary legislation and regulations provide a strong basis for EE in the public sector. However, additional efforts will be required to develop the supporting bylaws, additional strategies and plans, and the necessary bylaws or regulation to establish the proposed EE Fund and amendment of the Law of the Development Bank of North Macedonia. Specific proposed activities would include:

- a) *Support to develop the EE Fund.* Work under this activity would include: (i) the drafting of amendments to the legal framework required for the establishment of the EE Fund including the governance structure; (ii) develop the financing modalities (e.g., loans, energy service agreements, budget capture, debt financing, guarantees, partial grants, etc.), services to be provided, target markets, financial projections and fee structure of the Fund to ensure its sustainability; (iii) develop the detailed organizational structure, management and staffing plans; (iv) development of financing agreements and other legal documents/templates to support the EE Fund's operation; (v) development of the administrative and operational procedures; (vi) develop a 3-5-year business plan; and (vi) a staffing recruitment plan including TORs for key positions.

Notes to Project's financial statements (continued)  
Project Objectives and Activities (continued)

- b) *TA for additional secondary EE legislation.* Provisions of TA will also be provided to MOE to support broader EE secondary legislation and support to further EE market development (to be determined once the EE Law has been adopted but may include updates of EE-related rulebooks for buildings and building performance certificates, support for homeowner association legislation to allow for commercial borrowing and signing of contracts, development of the long-term building renovation strategy (under the revised Energy Performance in Building Directive), regulations for net-metering for rooftop solar PV installations on public and residential buildings, etc.);
- c) *Training of market actors.* Conduct information campaigns and provide training for energy efficiency market stakeholders to ensure adequate demand for municipal applications, technical competencies and sharing experiences and knowledge from previous similar projects.
- d) *Project implementation support.* Support for the implementation of the Project including costs of the PIU.

**Component 3. Initial capital for the proposed EE Fund (€5 million).** In order to ensure that the EE Fund is established within the lifetime of the Project, and to ensure that investment capital is available for the Fund once it is established, it was agreed that €5 million would be set aside to be used by the EE Fund once it is established. The funds would be used to support (a) operating costs and marketing activities of the Fund; (b) preparation of energy audits, basic designs and technical specifications; other technical studies on future energy efficient investments as well as financing of the investments in energy efficiency and renewable energy in public buildings. The funds would not be used until the EE Fund is legally established, a set of operating procedures (operations manual) have been adopted by the Fund's Board of Directors and approved by the Bank, an investment and staffing plan have been approved by the Board and Bank, the Fund has a minimum number of staff to operate effectively and the Bank has conducted an assessment of the Fund's technical, fiduciary and safeguards capacities.

### **3 Accounting policies**

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

#### **Basis of preparation**

The accompanying financial statements have been prepared for the purposes of reporting to IBRD, on the activities of the Project related to the loan received for the completion of the Project's objectives, in accordance with the respective provisions set out in the Loan Agreement Loan numbered 9038 MK signed between the IBRD and MoF. These financial statements are prepared on the cash receipts and disbursement basis and include all Project - related expenditures incurred, which are financed under the provisions set out in Loan Agreement numbered 9038 MK dated 27 April 2021, These instructions closely follow the World Bank's Disbursement Guidelines for Projects.

The financial statements have been prepared for the period for the period from 12 May 2021 to 31 December 2022.

Notes to Project's financial statements (continued)  
Project Objectives and Activities (continued)

**Currency translation**

All amounts of the Project's financial statements are presented in Euro as this is the reporting currency of the Project. The exchange rates used for preparation of the Project's financial statements is the buying foreign exchange rates of the National Bank of the Republic of North Macedonia for international payment operations of the government bodies of Republic of North Macedonia by which each instalment is transferred to a Denar ("MKD") denominated account in the bank, until that Denar amount is spent.

Budgeted amounts included in the Statement of Uses of Funds by Project Activity are translated from MKD into Euro at the date of transactions.

