

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 01 January 2023 through
31 December 2023



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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 year ended 31 December 2023 included on pages 4 to 18.

Management's responsibility for the Project financial statements

The 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 Macedonia¹. 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.


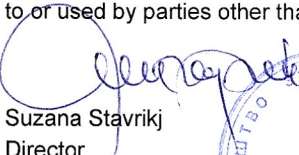
¹ International Standards on Auditing ("ISA") issued by the [International Auditing and Assurance Standards Board](#) ("IAASB"), effective from 15 December 2009, translated and published in the "Official Gazette" of the Republic of Macedonia no. 79 from 2010.

Opinion

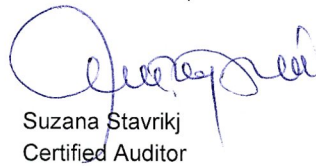
In our opinion, the accompanying Project's financial statements of "Public Energy Efficiency Project", financed under International Bank for Reconstruction and Development, Loan numbered 9038-MK, present fairly, in all material respects, the Project's financial position as at 31 December 2023, and the 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 year ended 31 December 2023, 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, 12 June 2024

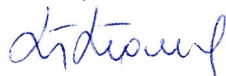
Management Responsibility

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 01 January 2023 to 31 December 2023 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 Macedonia¹. Their report is included on pages 2 and 3.



Tanja Tomic,

Lead Project Coordinator

11 June 2024

¹ 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
 01 January 2023 through 31 December 2023

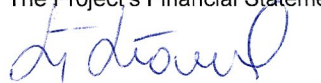
Statement of Sources and Uses of Funds – Loan number 9038-MK

(Amounts in EUR)
 For the period from 01 January 2023 through
 31 December 2023

	Actual		Budget		Variance	
	Current period	Cumulative	Current period*	Cumulative	Current period	Cumulative
Sources of funds						
IBRD Loan 9038-MK	1,841,393	2,995,122	1,590,818	25,000,000	250,575	(22,004,878)
Interest earned	-	-	-	-	-	-
Total sources of funds	1,841,393	2,995,122	1,590,818	25,000,000	250,575	(22,004,878)
Uses of funds						
Financed by IBRD						
Component 1. Energy efficiency investments in the public sector	1,390,310	1,653,457	1,262,550	18,000,000	(127,760)	(16,346,543)
Component 2. Technical assistance and implementation support	328,065	624,198	328,268	1,937,500	203	(1,313,302)
Component 3. Initial capital for the proposed EE Fund	-	-	-	5,000,000	-	(5,000,000)
Subtotal - Financed by IBRD	1,718,375	2,277,655	1,590,818	24,937,500	(127,557)	(22,659,845)
Front-end fee	-	62,500	-	62,500	-	-
Total uses of funds	1,718,375	2,340,155	1,590,818	25,000,000	(127,557)	(22,659,845)
Balance	123,018	654,967				
Net increase/ (decrease) in cash flow	123,018	654,967				
Bank balances beginning of period	531,949	-				
Bank balance end of period	654,967	654,967				

*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 11 June 2024 and signed on its behalf by:



Tanja Tomic,
 Lead Project Coordinator



Simona Novotni
 Financial Management Specialist

Project's Financial Statements
 01 January 2023 through 31 December 2023

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

(Amounts in EUR)

For the period from 01 January through
 31 December 2023

	Actual		Budget		Variance	
	Current period	Cumulative	Current period	Cumulative	Current period	Cumulative
Component 1: Energy efficiency investments in the public sector	1,390,310	1,653,457	1,262,550	18,000,000	127,760	(16,346,543)
Component 1a. EE Investments in municipal sector						
Probishtip	376,238	376,238	376,238	10,500,000	-	(10,123,762)
Probishtip	376,238	376,238	376,238	376,238	-	-
Probishtip	376,238	376,238	376,238	376,238	-	-
Other sub-loans	-	-	-	10,123,762	-	(10,123,762)
Other sub-loans	-	-	-	10,123,762	-	(10,123,762)
Component 1b. EE Investments in Central Government Buildings						
University Clinic of Psychiatry	485,067	485,067	485,067	485,067	-	(4,514,933)
University Clinic of Psychiatry	485,067	485,067	485,067	485,067	-	-
Other contracts	-	-	-	4,514,933	-	(4,514,933)
Other contracts	-	-	-	4,514,933	-	(4,514,933)
Component 1c. Technical studies to support investments	529,006	792,153	401,245	2,500,000	127,760	(1,707,847)
IZZIS	-	234,572	-	242,832	-	-
IZZIS-seismic screening	-	234,572	-	242,832	-	-
Prima Inzenering	140,701	156,335	-	156,335	140,701	-
Prima Inzenering- LOT 3	140,701	156,335	-	156,335	140,701	-
Geing DOO	116,470	129,411	129,411	129,411	(12,941)	-
Geing DOO- LOT 2	116,470	129,411	129,411	129,411	(12,941)	-
Prima Inzenering -LOT1	67,440	67,440	67,440	67,440	-	-
Prima Inzenering-LOT 1	67,440	67,440	67,440	67,440	-	-
Kvadar	5,459	5,459	5,459	5,459	-	-
Kvadar	5,459	5,459	5,459	5,459	-	-
GIM	79,884	79,884	79,884	79,884	-	-
Gradezen Institut Makedonija- GIM	79,884	79,884	79,884	79,884	-	-
Investing-Probishtip	20,704	20,704	20,704	20,704	-	-
Investing-Probishtip	20,704	20,704	20,704	20,704	-	-
Investing-Psychiatry	19,439	19,439	19,439	19,439	-	-
Investing-Clinic of Pshychiatry	19,439	19,439	19,439	19,439	-	-
Inkom Inzenering	78,908	78,908	78,908	789,078	-	(710,170)
Inkom Inzenering	78,908	78,908	78,908	789,078	-	(710,170)
Other contracts	-	-	-	997,678	-	(997,678)
Other contracts	-	-	-	997,678	-	(997,678)
Sub-total Component 1 for EE:	1,390,310	1,653,457	1,262,550	18,000,000	127,760	(16,346,543)
Component 2: Technical assistance and implementation support	328,068	624,198	328,068	1,937,500	-	(1,313,302)
Support to develop the EE Fund	70,780	197,340	70,780	317,900	-	(120,560)
KP Consultancy Services	58,780	176,340	58,780	293,900	-	(117,560)
Energy Efficiency Associate	12,000	21,000	12,000	24,000	-	(3,000)
TA for additional secondary EE legislation	-	-	-	150,000	-	(150,000)
Contract 1	-	-	-	150,000	-	(150,000)

Project's Financial Statements
 01 January 2023 through 31 December 2023

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

(Amounts in EUR)

For the period from 01 January through
 31 December 2023

	Actual		Budget		Variance	
	Current period	Cumulative	Current period*	Cumulative	Current period	Cumulative
Training of market actors	-	-	-	221,328	-	(221,328)
<i>Contract 1</i>	-	-	-	221,328	-	(221,328)
Project Implementation Support	240,162	395,562	240,165	989,558	-	(593,996)
<i>Lead Project Coordinator</i>	26,667	39,111	26,667	108,864	-	(69,753)
<i>FM Specialist</i>	23,667	34,611	23,667	95,040	-	(60,429)
<i>Procurement and Legal Coordinator</i>	8,382	19,322	8,382	19,322	-	-
<i>Procurement Assistant</i>	-	4,397	-	4,397	-	-
<i>Technical Coordinator/Construction Engineer JT</i>	19,744	30,048	19,744	77,760	-	(47,712)
<i>Construction Engineer RP</i>	-	6,320	-	6,320	-	-
<i>Construction Engineer JZB</i>	-	5,716	-	5,716	-	-
<i>Construction Engineer ZD</i>	-	5,720	-	5,720	-	-
<i>Construction Engineer GT</i>	-	3,264	-	3,264	-	-
<i>Construction Engineer FM</i>	19,827	28,848	19,827	77,760	-	(48,912)
<i>Construction Engineer RL/ Construction Coordinator</i>	23,667	33,328	23,667	95,040	-	(61,712)
<i>Environmental Specialist</i>	20,427	29,751	20,427	80,784	-	(51,033)
<i>Mechanical Engineer</i>	19,744	43,054	19,744	77,760	-	(34,706)
<i>Electrical Engineer</i>	19,827	33,141	19,827	87,566	-	(54,425)
<i>Office Manager/ Translator</i>	15,867	22,911	15,867	59,976	-	(37,065)
<i>Administrative/Operative Assistant</i>	6,111	11,942	6,111	11,942	-	-
<i>Economy and Procurement Associate</i>	-	3,198	-	3,198	-	-
<i>Communication Analyst</i>	11,067	15,711	11,067	49,896	-	(34,185)
<i>Procurement and Legal Coordinator-TV</i>	13,364	13,364	13,364	72,065	-	(58,701)
<i>Administrative/Operative Assistant-BM</i>	4,676	4,676	4,676	40,040	-	(35,364)
<i>Procurement advisor</i>	7,128	7,128	7,128	7,128	-	-
Project Audit	6,723	6,723	6,723	40,652	-	(33,929)
<i>Project Audit</i>	6,723	6,723	6,723	40,652	-	(33,929)
Operating costs	10,400	15,207	10,400	168,062	-	(152,855)
<i>Operating costs</i>	10,400	15,207	10,400	168,062	-	(152,855)
Equipment for PIU	-	9,367	-	50,000	-	(40,633)
<i>Equipment for PIU</i>	-	9,367	-	50,000	-	(40,633)
Sub-total Component 2 for EE:	328,068	624,198	328,068	1,937,500	-	(1,313,302)
Component 3: Initial capital for the proposed EE						
Fund	-	-	-	5,000,000	-	(5,000,000)
Other contracts	-	-	-	5,000,000	-	(5,000,000)
<i>Other contracts</i>	-	-	-	5,000,000	-	(5,000,000)
Sub-total Component 3 for EE:	-	-	-	5,000,000	-	(5,000,000)
FRONT-END FEE-Original Loan	-	62,500	-	62,500	-	-
FRONT-END FEE-Additional Financing	-	-	-	-	-	-
Total Project Expenditure	1,718,375	2,340,155	1,590,618	25,000,000	127,757	(22,659,845)

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

Project's Financial Statements
 01 January 2023 through 31 December 2023

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

Project Activities	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	2,363,627	1,653,457	-	-	-	144,793,430	101,223,935	-
Component 1a. EE Investments in municipal sector	10,500,000	-	376,238	-	-	-	-	23,032,497	-
Probishtip	376,238	376,238	376,238	-	-	-	23,032,497	23,032,497	-
<i>Probishtip</i>	<i>376,238</i>	<i>376,238</i>	<i>376,238</i>	<i>RFB</i>	<i>23,032,497 MKD</i>	<i>23,032,497 MKD</i>	<i>23,032,497</i>	<i>23,032,497</i>	-
Other sub-loans	10,123,762	-	-	-	-	-	-	-	-
<i>Other sub-loans</i>	<i>10,123,762</i>	-	-	-	-	-	-	-	-
Component 1b. EE Investments in Central Government Buildings	5,000,000	-	485,067	-	-	-	-	29,680,916	-
University Clinic of Psychiatry	485,067	485,067	485,067	-	-	-	29,680,916	29,680,916	-
University Clinic of Psychiatry	485,067	485,067	485,067	RFB	29,680,916 MKD	29,680,916 MKD	29,680,916	29,680,916	-

Project's Financial Statements
 01 January 2023 through 31 December 2023

Statement of Unit of Output by Project Activity-Loan number 9038-MK (continued)

Project Activities	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
Other contracts	4,514,933	-	-	-	-	-	-	-	-
<i>Other contracts</i>	4,514,933	-	-	-	-	-	-	-	-
Component 1c. Technical studies to support investments	2,500,000	-	792,153	-	-	-	-	48,510,522	-
IZZIS	234,572	234,572	234,572	-	-	-	14,370,885	14,370,885	-
<i>IZZIS-seizmic screening</i>	234,572	234,572	234,572	CS-DS	234,572 EUR	234,572 EUR	14,370,885	14,370,885	-
Prima Inzenering	156,335	156,335	156,335	-	-	-	9,583,336	9,571,970	-
<i>Prima Inzenering- LOT 3</i>	156,335	156,335	156,335	CQS	156,335 EUR	156,335 EUR	9,583,336	9,571,970	-
Geing DOO	129,411	129,411	129,411	-	-	-	7,932,895	7,931,208	-
<i>Geing DOO- LOT 2</i>	129,411	129,411	129,411	CQS	129,411 EUR	129,411 EUR	7,932,895	7,931,208	-
Prima Inzenering -LOT1	67,440	67,440	67,440	-	-	-	4,134,072	4,128,879	-
<i>Prima Inzenering-LOT 1</i>	67,440	67,440	67,440	CQS	67,440 EUR	67,440 EUR	4,134,072	4,128,879	-
Kvadar	5,459	5,459	5,459	-	-	-	335,120	335,120	-
<i>Kvadar</i>	5,459	5,459	5,459	CS-DS	335,120 MKD	335,120 MKD	335,120	335,120	-
GIM	79,884	79,884	79,884	-	-	-	4,896,889	4,887,882	-
<i>Gradezen Institut Makedonija-GIM</i>	79,884	79,884	79,884	CQS	79,884 EUR	-	4,896,889	4,887,882	-
Investing-Probishtip	20,704	20,704	20,704	-	-	-	1,266,900	1,266,900	-
<i>Investing-Probishtip</i>	20,704	20,704	20,704	CQS	1,266,900 MKD	1,266,900 MKD	1,266,900	1,266,900	-
Investing-Psychiatry	19,439	19,439	19,439	-	-	-	1,189,440	1,189,440	-
<i>Investing- Clinic of Psychiatry</i>	19,439	19,439	19,439	CQS	1,189,440 MKD	1,189,440 MKD	1,189,440	1,189,440	-
Inkom Inzenering	789,078	789,078	78,908	-	-	-	48,370,481	4,828,238	-
<i>Inkom Inzenering</i>	789,078	789,078	78,908	QCBS	78,908 EUR	78,908 EUR	48,370,481	4,828,238	710,170 EUR
Other contracts	997,678	-	-	-	-	-	-	-	-
<i>Other contracts</i>	997,678	-	-	-	-	-	-	-	-
Sub-total Component 1:	18,000,000	2,363,627	1,653,457				144,793,430	101,223,935	
Component 2: Technical assistance and implementation support	1,937,500	1,358,577	624,198	-	-	-	83,285,875	38,310,811	-
Support to develop the EE Fund	317,900	317,900	197,340	-	-	-	19,487,270	12,155,799	-
<i>KP Consultancy Services</i>	293,900	293,900	176,340	CQS	293,900 EUR	176,340 EUR	18,016,070	10,869,215	117,560 EUR
<i>Energy Efficiency Associate</i>	24,000	24,000	21,000	SiC	24,000 EUR	21,000-EUR	1,471,200	1,286,584	3,000 EUR

Project's Financial Statements
 01 January 2023 through 31 December 2023

Statement of Unit of Output by Project Activity-Loan number 9038-MK (continued)

Project Activities	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
TA for additional secondary EE legislation	150,000	-	-	-	-	-	-	-	-
<i>Contract 1</i>	<i>150,000</i>	-	-	-	-	-	-	-	-
Training of market actors	221,328	-	-	-	-	-	-	-	-
<i>Contract 1</i>	<i>221,328</i>	-	-	-	-	-	-	-	-
Project Implementation Support	989,558	958,634	395,562	-	-	-	58,764,264	24,236,804	-
<i>Lead Project Coordinator</i>	<i>108,864</i>	<i>100,800</i>	<i>39,111</i>	<i>SIC</i>	<i>100,800 EUR</i>	<i>39,111 EUR</i>	<i>6,179,040</i>	<i>2,396,255</i>	<i>61,689 EUR</i>
<i>FM Specialist</i>	<i>95,040</i>	<i>89,460</i>	<i>34,611</i>	<i>SIC</i>	<i>89,460 EUR</i>	<i>34,611 EUR</i>	<i>5,483,898</i>	<i>2,120,545</i>	<i>54,849 EUR</i>
<i>Procurement and Legal Coordinator</i>	<i>19,322</i>	<i>19,322</i>	<i>19,322</i>	<i>SIC</i>	<i>19,322 EUR</i>	<i>19,322 EUR</i>	<i>1,184,439</i>	<i>1,185,018</i>	-
<i>Procurement Assistant Technical</i>	<i>4,397</i>	<i>4,397</i>	<i>4,397</i>	<i>SIC</i>	<i>4,397 EUR</i>	<i>4,397 EUR</i>	<i>269,536</i>	<i>269,547</i>	-
<i>Coordinator/Construction Engineer JT</i>	<i>77,760</i>	<i>74,952</i>	<i>30,048</i>	<i>SIC</i>	<i>74,952 EUR</i>	<i>30,048 EUR</i>	<i>4,594,558</i>	<i>1,841,042</i>	<i>44,904 EUR</i>
<i>Construction Engineer RP</i>	<i>6,320</i>	<i>6,320</i>	<i>6,320</i>	<i>SIC</i>	<i>6,320 EUR</i>	<i>6,320 EUR</i>	<i>387,416</i>	<i>387,412</i>	-
<i>Construction Engineer JZB</i>	<i>5,716</i>	<i>5,716</i>	<i>5,716</i>	<i>SIC</i>	<i>5,716 EUR</i>	<i>5,716 EUR</i>	<i>350,391</i>	<i>350,415</i>	-
<i>Construction Engineer ZD</i>	<i>5,720</i>	<i>5,720</i>	<i>5,720</i>	<i>SIC</i>	<i>5,720 EUR</i>	<i>5,720 EUR</i>	<i>350,636</i>	<i>350,634</i>	-
<i>Construction Engineer GT</i>	<i>3,264</i>	<i>3,264</i>	<i>3,264</i>	<i>SIC</i>	<i>3,264 EUR</i>	<i>3,264 EUR</i>	<i>200,083</i>	<i>200,146</i>	-
<i>Construction Engineer FM</i>	<i>77,760</i>	<i>74,952</i>	<i>28,848</i>	<i>SIC</i>	<i>74,952 EUR</i>	<i>28,848 EUR</i>	<i>4,594,558</i>	<i>1,767,420</i>	<i>46,104 EUR</i>
<i>Construction Engineer RL/</i>									
<i>Construction Coordinator</i>	<i>95,040</i>	<i>89,460</i>	<i>33,328</i>	<i>SIC</i>	<i>89,460 EUR</i>	<i>33,328 EUR</i>	<i>5,483,898</i>	<i>2,041,869</i>	<i>56,132 EUR</i>
<i>Environmental Specialist</i>	<i>80,784</i>	<i>77,508</i>	<i>29,751</i>	<i>SIC</i>	<i>77,508 EUR</i>	<i>29,751 EUR</i>	<i>4,751,241</i>	<i>1,822,782</i>	<i>47,757 EUR</i>
<i>Mechanical Engineer</i>	<i>77,760</i>	<i>74,952</i>	<i>43,054</i>	<i>SIC</i>	<i>74,952 EUR</i>	<i>43,054 EUR</i>	<i>4,594,558</i>	<i>2,638,588</i>	<i>31,898 EUR</i>
<i>Electrical Engineer</i>	<i>87,566</i>	<i>87,566</i>	<i>33,141</i>	<i>SIC</i>	<i>87,566 EUR</i>	<i>33,141 EUR</i>	<i>5,367,796</i>	<i>2,030,397</i>	<i>54,425 EUR</i>
<i>Office Manager/ Translator</i>	<i>59,976</i>	<i>59,976</i>	<i>22,911</i>	<i>SIC</i>	<i>59,976 EUR</i>	<i>22,911 EUR</i>	<i>3,676,529</i>	<i>1,403,701</i>	<i>37,065 EUR</i>
<i>Administrative/Operative Assistant</i>	<i>11,942</i>	<i>11,942</i>	<i>11,942</i>	<i>SIC</i>	<i>11,942 EUR</i>	<i>11,942 EUR</i>	<i>732,045</i>	<i>732,382</i>	-
<i>Economy and Procurement Associate</i>	<i>3,198</i>	<i>3,198</i>	<i>3,198</i>	<i>SIC</i>	<i>3,198 EUR</i>	<i>3,198 EUR</i>	<i>196,038</i>	<i>196,034</i>	-
<i>Communication Analyst</i>	<i>49,896</i>	<i>49,896</i>	<i>15,711</i>	<i>SIC</i>	<i>49,896 EUR</i>	<i>15,711 EUR</i>	<i>3,058,625</i>	<i>962,574</i>	<i>34,185 EUR</i>
<i>Procurement and Legal Coordinator-TV</i>	<i>72,065</i>	<i>72,065</i>	<i>13,364</i>	<i>SIC</i>	<i>72,065 EUR</i>	<i>13,394 EUR</i>	<i>4,417,585</i>	<i>817,704</i>	<i>58,701 EUR</i>
<i>Procurement advisor</i>	<i>7,128</i>	<i>7,128</i>	<i>7,128</i>	<i>SIC</i>	<i>7,128 EUR</i>	<i>7,128 EUR</i>	<i>436,946</i>	<i>436,197</i>	-
<i>Administrative/Operative Assistant-BM</i>	<i>40,040</i>	<i>40,040</i>	<i>4,676</i>	<i>SIC</i>	<i>40,040 EUR</i>	<i>4,676 EUR</i>	<i>2,454,452</i>	<i>286,142</i>	<i>35,364 EUR</i>

Project's Financial Statements
 01 January 2023 through 31 December 2023

Statement of Unit of Output by Project Activity-Loan number 9038-MK (continued)

Project Activities	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
Project Audit	40,652	22,676	6,723	-	-	-	1,394,347	411,333	-
<i>Project Audit</i>	40,652	22,676	6,723	LCBS	1,394,347 MKD	411,333 MKD	1,394,347	411,333	983,014 MKD
Operating costs	168,062	50,000	15,207	-	-	-	3,065,000	931,881	-
<i>Operating costs</i>	168,062	50,000	15,207	NA	3,056,000 MKD	931,881-MKD	3,065,000	931,881	2,124,119 MKD
Equipment for PIU	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	-
Sub-total Component 2:	1,937,500	1,358,577	624,198				83,285,875	38,310,811	-
Component 3: Initial capital for the proposed EE Fund	5,000,000	-	-	-	-	-	-	-	-
Other contracts	5,000,000	-	-	-	-	-	-	-	-
<i>Other contracts</i>	5,000,000	-	-	-	-	-	-	-	-
Sub-total Component 3:	5,000,000	-	-				-	-	-
FRONT-END FEE Original Loan	62,500	62,500	62,500	-	-	-	-	-	-
FRONT-END FEE Additional financing	-	-	-	-	-	-	-	-	-
Total Project Expenditure	25,000,000	3,784,704	2,340,155				228,079,306	139,534,746	-

*Abbreviations:

RFB – Request for Bids

QCS- Consultant's qualifications-based selection

QCBS - Consultants Quality and Cost-based Selection.

SIC-Selection of individual consultants

LCBS - Least Cost Based Selection

CS-DS – Consultancy Services – Direct Selection

Project's Financial Statements
 01 January 2023 through 31 December 2023

Statement of Withdrawals – Designated Accounts

Application # and date	(Amounts in EUR) 01 January through 31 December 2023		
	Total Requested	Total Received	Difference
PSEEP 9038-MK			
#4/ 22 June 2023	861,926	861,926	-
#5/ 07 November 2023	979,467	979,467	-
	1,841,393	1,841,393	-

Application # and date	(Amounts in EUR) 12 May 2021 through 31 December 2022		
	Total Requested	Total Received	Difference
MSIP2 8561-MK			
#1/ 01 July 2021	250,000	250,000	-
#2/ 22 December 2021	48,718	48,718	-
#3/ 03 August 2022	792,511	792,511	-
	1,091,229	1,091,229	-

Project's Financial Statements
 01 January 2023 through 31 December 2023

Statement of Designated Accounts – EUR

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

	(Amounts in EUR)	
	01 January through 31 December 2023	For the period from 12 May 2021 through 31 December 2022
At 01 January 2023/ At 12 May 2021	531,787	-
Add: Inflows		
Replenishment during the period	1,841,393	1,153,729
	1,841,393	1,153,729
Deduct: Outflows		
Transfer to treasury account (Mirror designated account) - MKD	(1,718,411)	(559,342)
Intermediate Bank fee	-	(100)
Front end fee	-	(62,500)
	(1,718,411)	(621,942)
At 31 December	654,769	531,787

Project's Financial Statements
 01 January 2023 through 31 December 2023

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)	
	01 January through 31 December 2023	For the period from 12 May 2021 through 31 December 2022
At 01 January 2023 / At 12 May 2021	-	-
Add: Inflows		
Transfer from designated account – EUR	1,718,411	559,342
Interest received from loan granted to municipality	2,078	-
	1,720,489	559,342
Deduct: Outflows		
Amount of eligible expenses paid during the period	(1,718,166)	(558,934)
Transfer to petty cash	(245)	(408)
Interest from loan granted to municipality transferred to Ministry of Finance	(2,078)	-
	(1,720,489)	(559,342)
At 31 December	-	-

Project’s Financial Statements
01 January 2023 through 31 December 2023

Statement of Petty Cash in Denar Account

Loan Number	9038-MK	
Currency	Macedonian Denars (“MKD”)	
	(Amounts in EUR)	
	01 January through 31 December 2023	For the period from 12 May 2021 through 31 December 2022
At 01 January / At 12 May 2021	162	-
Add: Inflows		
Transfer from Mirror Designated Account – MKD	245	408
	245	408
Deduct: Outflows		
Amount of eligible expenses paid during the period	(209)	(246)
	(209)	(246)
At 31 December	198	162

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	-	
Total	25,000,000	

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 01 January 2023 to 31 December 2023.

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.



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