

Project's Financial Statements and
Independent Auditor's Report

Ministry of Education and Science of the Republic of
North Macedonia

"Skills Development and Innovation Support Project" -
International Bank for Reconstruction and Development
Loan number 8332-MK

For the period from 01 January 2018 to 31
December 2018

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Management Responsibility

The accompanying financial statements comprising the Statement of Sources and Uses of Funds, Statement of Uses of Funds by Project Activity, Balance sheet, Statement of Breakdown of Loans and Grants, Statement of Withdrawals (SOE's), Designated Account Statements and related disclosure Notes (further referred as to "Project's Financial Statements"), of the Ministry of Education and Science of the Republic of North Macedonia ("the Ministry"), "Skills Development and Innovation Support Project" (further referred to as "the Project"), financed under International Bank for Reconstruction and Development Loan ("IBRD") numbered 8332-MK ("Original loan") as at and for the period from 01 January 2018 to 31 December 2018 included on pages 4 to 35, 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 Ministry 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 8332-MK dated 7 February 2014.

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




Igor Krstevski
Project Director


Aleksandra Davitkovska
Financial Manager


Jovan Despotovski
Director of Fund for Innovation and Technological Development

Independent Auditor's Report

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To the Management of the Project

We have audited the accompanying financial statements of the Ministry of Education and Science of the Republic of North Macedonia (“the Ministry”), “Skills Development and Innovation Support Project” (further referred to as “the Project”), financed under International Bank for Reconstruction and Development, Loan numbered 8332-MK, comprising the Statement of Sources and Uses of Funds, Balance sheet, Statement of Uses of Funds by Project Activity, Statement of Breakdown of Loans and Grants, 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 01 January 2018 to 31 December 2018 and included on pages 4 to 35.

Management’s responsibility for the Project’s financial statements

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

The Project’s Management policy is to prepare the accompanying Project’s financial statements on the cash receipts and disbursement basis in conformity with the related requirements of the World Bank’s financial reporting guidelines and in compliance with the relevant provisions set out in the Loan Agreement numbered 8332-MK dated 7 February 2014. 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 financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements.

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.

The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Project's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Project's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the accompanying financial statements of "Skills Development and Innovation Support Project", financed under International Bank for Reconstruction and Development, Loan numbered 8332-MK, present fairly, in all material respects, the Project's financial position as at 31 December 2018, and the movement on the Sources and Uses of Funds, Statement of Uses of Funds by Project Activity, Statement of Breakdown of Loans and Grants, Statement of Withdrawals and Designated Account Statements for the period from 01 January 2018 to 31 December 2018, 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 8332-MK dated 7 February 2014.

Skopje,

25 June 2019

Grant Thornton DOO, Skopje



Director
Suzana Stavrik





Certified Auditor
Suzana Stavrik

Financial Statements
 For the period from 01 January 2018 to 31 December 2018

Statement of Sources and Uses of Funds

	(Amounts in EUR)					
	For the period from 01 January 2018 to 31 December 2018					
	Actual		Planned		Variance	
	Current period	Cumulative to date	Current period	Cumulative to date	Current period	Cumulative to date
Sources of funds						
World bank DA-A	1,632,088	4,614,247	1,632,088	4,614,247	-	-
World bank DA-B	-	1,698,494	-	1,698,494	-	-
Interests Earned	-	-	-	-	-	-
Total sources of funds	1,632,088	6,312,741	1,632,088	6,312,741	-	-
Return of unspent funds under Transfers (Grants) for Secondary TVET School-Business Sector Joint Project	2	-	-	-	(2)	-
Transferred funds from users for eligible expenses paid during 2016 (returned funds) ¹	-	17,802	-	-	-	(17,802)
	2	17,802	-	-	(2)	(17,802)
Foreign exchange difference						
Exchange gains	120	432	120	432	-	-
Exchange losses	(37)	(326)	(37)	(326)	-	-
Foreign exchange differences, net	83	106	83	106	-	-
Uses of funds						
Financed by WB						
Component 1: Improving Transparency in higher education	267,265	606,414	235,228	586,283	(32,037)	(20,131)
Component 2: Modernization of Secondary Technical Vocational Education and Training	838,265	1,830,243	838,717	1,995,389	452	165,146
Component 3: Improving the Innovative capacity of enterprises and collaboration with research organizations Sub-component 3.1: Capacity Building of the FITD	251,893	486,202	217,750	449,848	(34,143)	(36,354)
Component 3: Sub-component 3.2: Pilot of Financial Instruments to be delivered by FITD	367,370	1,127,403	244,000	943,750	(123,370)	(183,653)
Component 4: Project Management and Monitoring and Evaluation	365,744	1,251,862	294,721	1,232,546	(71,023)	(19,316)
Subtotal - Financed by WB	2,090,537	5,302,124	1,830,416	5,207,816	(260,121)	(94,308)

¹ The amount of 17,802 euro is returned funds from the co-financed grants of the financial instruments of the FITD for funds that are transferred to the user for eligible expenditures paid during 2016.

Financial Statements

For the period from 01 January 2018 to 31 December 2018

Statement of Uses of Funds by project activity (continued)

(Amounts in EUR)

	For the period from 01 January 2018 to 31 December 2018					
	Actual Current period	Actual Cumulative to date	Planned Current period	Planned Cumulative to date	Variance Current period	Variance Cumulative to date
Financed by GoM						
Component 1: Improving Transparency in higher education	-	-	-	-	-	-
Component 2: Modernization of Secondary Technical Vocational Education and Training	-	-	-	-	-	-
Component 3: Improving the Innovative capacity of enterprises and collaboration with research organizations	-	-	-	-	-	-
Component 4: Project Management and Monitoring and Evaluation	-	-	-	-	-	-
Subtotal - Financed by the GoM	-	-	-	-	-	-
Front-end fee	-	44,250	-	44,250	-	-
Total uses of funds	2,090,537	5,346,374	1,830,416	5,252,066	(260,121)	(94,308)
Plus: Return of funds to the National bank of Republic of North Macedonia due to difference in calculation of exchange rate for the transfer of funds from DA-A to the Treasury Account	106	106	-	-	(106)	(106)
	106	106	-	-	(106)	(106)
Balance	(458,470)	-	-	-	-	-
Bank balances, at beginning of the period	1,442,641	-	-	-	-	-
Bank balances, at end of the period	984,171	-	-	-	-	-

The Project's Financial Statements have been approved by the Ministry on 25 June 2019 and signed on its behalf by:



Dr. Arber Ademi
 Minister of
 Education and
 Science

Igor Krstevski
 Project Director

Aleksandra
 Davitkovska
 Financial Manager

Jovan Despotovski
 Director of
 Fund for Innovation
 and Technological
 Development

Financial Statements
 For the period from 01 January 2018 to 31 December 2018

Statement of Uses of Funds by Project Activity -MoES

	(Amounts in EUR)					
	For the period from 01 January 2018 to 31 December 2018					
	Actual		Planned		Variance	
	Current period	Cumulative to Date	Current period	Cumulative to Date	Current period	Cumulative to Date
Component 1: Improving Transparency of Higher Education						
Contract 1: External Evaluation of Universities	148,825	199,750	148,825	199,750	-	-
Contract 2: Needs Assessment for Capacity Building of the Board for HEAEB	-	14,608	-	14,608	-	-
Contract 3: Needs Assessment, Strategy and Policy Development for NTTO	-	97,386	-	97,387	-	1
Contract 4: Administration and Communication Officer for HEAEB	12,000	30,697	12,000	30,701	-	4
Contract 5: Web-Site Developer and ICT Support and Maintenance Consultant for HEAEB	12,000	25,733	12,000	25,737	-	4
Contract 6: Quality Assurance and Evaluation Officer for HEAEB	3,773	17,505	3,773	17,510	-	5
Contract 7: Design and Establishment of EMIS for Higher Education	21,188	57,729	17,250	60,819	(3,938)	3,090
Contract 8: Assessment of Funding Model Options and Preparation of Funding Model and Formula and Implementation Plan	-	93,527	-	98,391	-	4,864
Contract 9: Expert for Provision of TA in the area of Quality Assurance and Assessment of Higher Education	19,358	19,358	13,960	13,960	(5,398)	(5,398)
Contract 10: Expert for provision of technical assistance in the area of Institutional Internal Quality Assurance System	21,451	21,451	10,100	10,100	(11,351)	(11,351)
Contract 11: Expert for provision of technical assistance in the area of governance, autonomy and accountability of the Macedonian universities	21,751	21,751	10,500	10,500	(11,251)	(11,251)
Contract 12: Consultant for Design and Establishment of EMIS for the accredited Higher Education Institutions	4,605	4,605	4,600	4,600	(5)	(5)
Payments without contract	-	-	-	-	-	-
Capacity Building of the Administrative Capacity of the Board for HEAEB/ Training/ Riga, Latvia/ Airplane tickets	1,534	1,534	1,440	1,440	(94)	(94)
Capacity Building of the Administrative Capacity of the Board for HEAEB/ Training/ Riga, Latvia /Petty Cash	780	780	780	780	-	-
Sub-total	267,265	606,414	235,228	586,283	(32,037)	(20,131)
Component 2: Modernization of Secondary Technical Vocational Education and Training						
Contract 1: Skills forecasting	-	78,400	-	78,399	-	(1)
Contract 2: Development and Design of the Concept for Secondary TVET	836,917	1,476,912	836,917	1,624,605	-	147,693
Contract 3: TA for new competency based curriculum and pertinent modules for innovation and entrepreneurship education in secondary education	-	123,120	-	123,120	-	-

Financial Statements

For the period from 01 January 2018 to 31 December 2018

Statement of Uses of Funds by project activity (continued)

	(Amounts in EUR)					
	For the period from 01 January 2018 to 31 December 2018					
	Actual		Planned		Variance	
	Current period	Cumulative to Date	Current period	Cumulative to Date	Current period	Cumulative to Date
Contract 4: Preparation of program for provision of grants and support in development of implementation legal procedures	-	55,995	-	55,994	-	(1)
Contract 5	-	-	-	-	-	-
Contract 6	-	-	-	-	-	-
Contract 7	-	-	-	-	-	-
Payments without contract	-	-	-	-	-	-
Transfers (Grants) for Secondary TVET Schools-Business Sector Joint Projects	877	94,108	1,000	111,234	123	17,126
Training related to implementation of the grants program (preparation of applications)	471	1,708	800	2,037	329	329
Sub-total	838,265	1,830,243	838,717	1,995,389	452	165,146
Component 3: Improving the Innovative capacity of enterprises and collaboration with research organizations						
Contract 1: Resident Advisor for Capacity Building of the FITD	44,635	130,128	12,000	91,459	(32,635)	(38,669)
Contract 2: Software for the Needs of the FITD	706	37,573	-	35,831	(706)	(1,742)
Contract 3: Equipment for the FITD	-	4,928	-	4,928	-	-
Contract 4: Technical assistance/capacity building for grants beneficiaries	30,030	96,176	30,030	105,060	-	8,884
Contract 5: Office chairs for FITD	-	1,970	-	1,970	-	-
Contract 6: FITD Financial Management Assistant	11,340	28,347	11,320	26,426	(20)	(4,751)
Contract 7: FITD Program Assistant	9,600	24,197	10,400	24,001	800	(2,796)
Contract 8: Hardware for the FITD	95,701	95,701	95,000	95,000	(701)	(701)
Contract 9: Procurement of Office Furniture for FITD and MoES	59,881	59,881	59,000	59,000	(881)	(881)
Payments without contract	-	-	-	-	-	-
Capacity Building of the FITD/ Training / Barcelona, Spain	-	6,852	-	6,173	-	(679)
Capacity Building of the FITD/ Training / Barcelona, Spain / Petty Cash	-	449	-	-	-	(449)
Sub-component 3.2. Pilot of Financial Instruments (FITD)	367,394	1,127,427	244,000	943,750	(123,394)	(183,677)
Sub-total	619,263	1,613,605	461,750	1,393,598	(157,513)	(220,007)
Component 4: Project Management and Monitoring and Evaluation						
Contract 1: Project Manager/Director	20,760	101,675	20,320	103,000	(440)	1,325
Contract 2: Procurement Specialist	16,177	85,016	17,520	87,782	1,343	2,766
Contract 3: Financial Specialist	15,318	66,550	13,320	65,667	(1,998)	(883)
Contract 4: Coordinator for business and innovations	15,318	66,966	13,320	66,083	(1,998)	(883)
Contract 4: Coordinator for business and innovations: Petty chash telephone charges	370	423	-	-	(370)	(423)
Contract 5: Monitoring and Evaluation Specialist	15,700	57,371	13,473	56,181	(2,227)	(1,190)
Contract 6: Part-Time Environmental Consultant Contract no:002-15-1/4.1.8	14,801	27,205	5,800	17,404	(9,001)	(9,801)
Contract 7: Part-Time Environmental Consultant Contract no:002-15-2/4.1.8	13,797	27,398	-	12,602	(13,797)	(14,796)
Contract 7: Financial/Accounting Software and support and maintenance for the project duration	277	2,205	270	2,460	(7)	255
Contract 8: Equipment for the PMU	395	4,052	-	3,653	(395)	(399)
Contract 9: Hardware for the PMU	-	15,628	-	15,628	-	-
Contract 10: Administrative Assistant	3,723	42,655	3,660	43,395	(63)	740
Contract 11: Procurement Assistant	4,120	41,641	4,000	42,378	(120)	737
Contract 12: Phones for the PMU	5,801	11,473	5,800	11,472	(1)	(1)
Contract 13: Consulting services for logistical support in the organization of a conference dedicated to the needs and challenges in the area of higher education	9,606	36,374	-	26,331	(9,606)	(10,043)

Financial Statements

For the period from 01 January 2018 to 31 December 2018

Statement of Uses of Funds by project activity (continued)

	(Amounts in EUR)					
	For the period from 01 January 2018 to 31 December 2018					
	Actual		Planned		Variance	
	Current period	Cumulative to Date	Current period	Cumulative to Date	Current period	Cumulative to Date
Contract 14: Monitoring and Evaluation Assistant	2,909	21,815	2,909	22,619	-	804
Contract 15: Grants Officer	13,793	33,159	13,750	33,971	(43)	812
Contract 16: Performance Audit for Secondary TVET grants	9,735	36,759	-	27,024	(9,735)	(9,735)
Contract 17: Operational Audit for Secondary TVET grants	14,971	20,360	14,900	14,900	(71)	(5,460)
Contract 18: Evaluation specialist for the Grant Program for Enhancing the collaboration between schools and business community	-	25,400	-	25,400	-	-
Contract 19: Development of Software for Skills Observatory	36,954	105,723	37,000	117,506	46	11,783
Contract 20: Technical Assistance for Policy Development and Initial Set-Up of the Skills Observatory	-	42,920	-	42,920	-	-
Contract 21: IT Specialist for the establishment of the Skills Observatory	-	14,245	-	14,245	-	-
Contract 22: IT Senior Administrator for the Skills Observatory	13,766	46,311	12,620	46,351	(1,146)	40
Contract 23: Skills Observatory Administrator	-	14,105	-	14,911	-	806
Contract 24: VET Coordinator	13,534	39,889	13,520	40,992	(14)	1,103
Contract 25: Data collection for conducting a tracer study for TVET and HE employment outcomes of graduates	41,260	68,842	41,259	108,841	(1)	39,999
Contract 26: Evaluation Specialist for Tracer Study for TVET and HE employment outcomes of graduates	-	16,328	-	16,328	-	-
Contract 27: Project Audit	4,700	14,750	4,700	15,040	-	290
Contract 28: Higher Education Coordinator	1,332	3,815	4,800	7,200	3,468	3,385
Contract 29: Assistant Coordinator for Higher Education	6,518	8,899	4,600	6,900	(1,918)	(1,999)
Contract 30: Higher Education Coordinator 005-18	7,220	7,220	5,780	5,780	(1,440)	(1,440)
Contract 31: Assistant Coordinator for Higher Education 006-18	6,945	6,945	5,560	5,560	(1,385)	(1,385)
Contract 32: Assistant for business and innovation 008-18	6,945	6,945	5,560	5,560	(1,385)	(1,385)
Contract 33: Administrative Assistant 010-18	6,110	6,110	4,900	4,900	(1,210)	(1,210)
Contract 34: Monitoring and Evaluation Assistant 007-18	6,945	6,945	5,560	5,560	(1,385)	(1,385)
Contract 35: Baseline and Follow-Up Survey of the Instruments for Innovation Support	10,540	10,540	-	-	(10,540)	(10,540)
Payments without contract	-	-	-	-	-	-
Training / accomodation, per diem, and transport / Melbourne	-	1,149	-	-	-	(1,149)
Training / transport / Vienna	348	348	-	-	(348)	(348)
Training / accomodation, per diem, and transport / Petty Cash	591	11,155	-	9,933	(591)	(1,222)
Training / Travel / Training costs for Procurement Seminar / Budva	373	373	370	370	(3)	(3)
Training / accomodation, per diem / Petty Cash / Budva	1,034	1,034	1,000	1,000	(34)	(34)
Operating Cost for the PMU	21,193	85,945	17,000	78,101	(9,693)	(7,844)
Operating costs: Bank provision	1,712	4,364	1,200	3,672	(512)	(692)
Operating costs: Petty chash	153	2,837	250	2,926	97	89
Sub-total	365,744	1,251,862	294,721	1,232,546	(71,023)	(19,316)
Front end fee	-	44,250	-	44,250	-	-
Total:	2,090,537	5,346,374	1,830,416	5,252,066	(260,121)	(94,308)

Financial Statements
For the period from 01 January 2018 to 31 December 2018

Balance sheet

In EUR	31 December 2018	31 December 2017
Assets		
Bank balances	984,171	1,442,641
Total assets	984,171	1,442,641
Funds and liabilities		
Unspent funds	984,171	1,442,641
Total Fund and liabilities	984,171	1,442,641

Financial Statements

For the period from 01 January 2018 to 31 December 2018

Statement of Breakdown of Loans and Grants-MoES

	Sub-Loan/grant No. / WB approved date	Sub-Loan/grant amount	Cumulative for the period from 7 February 2014 through 31 December 2018 Paid sub-loan/Grant amount	Remaining balance	Outstanding payments	(Amounts in EUR) Payment requests processed (number of transactions)
Sub-component 2.2. Grants for school-business collaboration (MoES)						
Transfers (Grants) for Secondary TVET Schools-Business Sector Joint Projects						
ASUC Boro Petrushevski, Skopje	24-518/2	18,600	18,453	147	-	3
Grant 1						
Contract 1		-	-	-	-	-
Contract 2		-	-	-	-	-
Contract 3		-	-	-	-	-
Remaining funds		-	-	-	-	-
SOZSU Gjorce Petrov, Kavadarci	24-521/2	19,612	19,573	39	-	3
Grant 2						
Contract 1		-	-	-	-	-
Contract 2		-	-	-	-	-
Contract 3		-	-	-	-	-
Remaining funds		-	-	-	-	-
SSOU Moshja Pijade, Tetovo	24-519/2	9,770	9,770	-	-	3
Grant 3						
Contract 1		-	-	-	-	-
Contract 2		-	-	-	-	-
Contract 3		-	-	-	-	-
Remaining funds		-	-	-	-	-

Financial Statements

For the period from 01 January 2018 to 31 December 2018

Statement of breakdown of Loans and Grants (continued)

	Sub-Loan/grant No. / WB approved date	Sub-Loan/grant amount	Cumulative for the period from 7 February 2014 through 31 December 2018 Paid sub-loan/Grant amount	Remaining balance	Outstanding payments	(Amounts in EUR) Payment requests processed (number of transactions)
DUCOR Partenija Zografski, Skopje	01-460/2	9,651	9,632	19	-	3
Grant 4						
Contract 1		-	-	-	-	-
Contract 2		-	-	-	-	-
Contract 3		-	-	-	-	-
Remaining funds		-	-	-	-	-
SOU Gjorce Petrov, Kriva Palanka	24-555/2	9,751	7,668	2,083	-	2
Grant 5						
Contract 1		-	-	-	-	-
Contract 2		-	-	-	-	-
Contract 3		-	-	-	-	-
Remaining funds		-	-	-	-	-
SOU Goce Delcev, Valandovo	24-556/2	9,787	9,761	26	-	3
Grant 6						
Contract 1		-	-	-	-	-
Contract 2		-	-	-	-	-
Contract 3		-	-	-	-	-
Remaining funds		-	-	-	-	-
SOU Orde Copela, Prilep	24-538/2	4,864	4,860	4	-	3
Grant 7						
Contract 1		-	-	-	-	-
Contract 2		-	-	-	-	-
Contract 3		-	-	-	-	-
Remaining funds		-	-	-	-	-
SOZU Kuzman Shapkarev, Bitola	24-537/2	4,712	4,702	10	-	3
Grant 8						
Contract 1		-	-	-	-	-
Contract 2		-	-	-	-	-
Contract 3		-	-	-	-	-
Remaining funds		-	-	-	-	-

Financial Statements

For the period from 01 January 2018 to 31 December 2018

Statement of breakdown of Loans and Grants (continued)

	Sub-Loan/grant No. / WB approved date	Sub-Loan/grant amount	Cumulative for the period from 7 February 2014 through 31 December 2018 Paid sub- loan/Grant amount	Remaining balance	Outstanding payments	(Amounts in EUR) Payment requests processed (number of transactions)
OSU Aco Ruskoski, Berovo	24-561/2	4,901	4,892	9	-	3
Grant 9						
Contract 1		-	-	-	-	-
Contract 2		-	-	-	-	-
Contract 3		-	-	-	-	-
Remaining funds		-	-	-	-	-
OSU Riste Risteski Ricko, Prilep	24-557/2	4,902	4,796	106	-	3
Grant 10						
Contract 1		-	-	-	-	-
Contract 2		-	-	-	-	-
Contract 3		-	-	-	-	-
Remaining funds		-	-	-	-	-
Total		96,550	94,107	2,443	-	29

Financial Statements

For the period from 01 January 2018 to 31 December 2018

Statement of Breakdown of Loans and Grants-FITD

	Sub-Loan/grant No. / WB approved date	Sub-Loan/Grant amount		Paid by State budget*	Cumulative for the period from 01 January 2018 through 31 December 2018		Remaining balance of loan amount	Outstanding payments	Payment requests processed (number of transactions)
		Loan amount	Co-financing amount		Paid Sub-Loan/Grant Current period	Cumulative amount			
		Loan amount	Co-financing amount						
Sub-component 3.2. Pilot of Financial Instruments (FITD)									
First Call of Financial Instruments									
Daris Inzenjering	09-388/1	28,653	5,066	-	-	9,915	18,738	-	-
Co-financed Grants for Newly Established Enterprises "Start-up" and "Spin-off"	-	-	-	-	-	-	-	-	-
Remaining funds	-	-	-	-	-	-	-	-	-
Vapour Apps	09-387/1	29,400	6,100	-	-	12,991	16,409	-	-
Sub-Loan/Grant 1	-	-	-	-	-	-	-	-	-
Remaining funds	-	-	-	-	-	-	-	-	-
Codewell Unlimited DOO	09-405/1	28,748	5,252	-	-	12,064	16,684	-	-
Sub-Loan/Grant 1	-	-	-	-	-	-	-	-	-
Remaining funds	-	-	-	-	-	-	-	-	-

* For informative purposes only - as disclosed in Note 1 to these Project's financial statements, the Loan Agreement does not require additional financing from the budget of the Republic of North Macedonia

Financial Statements

For the period from 01 January 2018 to 31 December 2018

Statement of breakdown of Loans and Grants (continued)

(Amounts in EUR)
 Cumulative for the period from 01 January 2018 through 31 December 2018

	Sub-Loan/grant No. / WB approved date	Sub-Loan/Grant amount		Paid by State budget	Paid Sub-Loan/Grant amount		Remaining balance of loan amount	Outstanding payments	Payment requests processed (number of transactions)
		Loan amount	Co-financing amount		Current period	Cumulative amount			
Farma Biakva DOO	09-683/1	99,761	45,630	-	-	17,802	81,959	-	-
Co-financed Grants and Conditional Loans for Commercialization of Innovations	-	-	-	-	-	-	-	-	-
Remaining funds	-	-	-	-	-	-	-	-	-
Sub-Total (Second call)	-	868,314	359,955	74,433	7,039	544,710	323,604	-	-
Third Call of Financial Instruments									
DTK Smart-tec	09-47	29,971	5,289	7,506	927	16,933	13,038	-	-
Co-financed Grants for Newly Established Enterprises "Start-up" and "Spin-off"	-	-	-	-	-	-	-	-	-
Remaining funds	-	-	-	-	-	-	-	-	-
Vision Dynamix DOO	09-46	29,550	5,400	13,590	-	9,092	20,458	-	-
Co-financed Grants for Newly Established Enterprises "Start-up" and "Spin-off"	-	-	-	-	-	-	-	-	-
Remaining funds	-	-	-	-	-	-	-	-	-
Resin DOO	09-45	30,000	5,300	8,330	239	20,111	9,889	-	-
Co-financed Grants for Newly Established Enterprises "Start-up" and "Spin-off"	-	-	-	-	-	-	-	-	-
Remaining funds	-	-	-	-	-	-	-	-	-
Webgliders DOO	09-48	30,000	5,295	9,983	-	10,293	19,707	-	-
Co-financed Grants for Newly Established Enterprises "Start-up" and "Spin-off"	-	-	-	-	-	-	-	-	-
Remaining funds	-	-	-	-	-	-	-	-	-
Sub-Total (Third call)		119,521	21,284	39,409	1,166	56,429	63,092	-	-

Financial Statements

For the period from 01 January 2018 to 31 December 2018

Statement of breakdown of Loans and Grants (continued)

(Amounts in EUR)
 Cumulative for the period from 01 January 2018 through 31 December 2018

	Sub-Loan/grant No. / WB approved date	Sub-Loan/Grant amount		Paid by State budget	Paid Sub-Loan/Grant amount		Remaining balance of loan amount	Outstanding payments	Payment requests processed (number of transactions)
		Loan amount	Co-financing amount		Current period	Cumulative amount			
CLAXI DOOEL Skopje	09-58	30,000	13,130	-	19,919	19,919	10,081	-	-
Co-financed Grants for Newly Established Enterprises "Start-up" and "Spin-off"		-	-	-	-	-	-	-	-
Remaining funds	-	-	-	-	-	-	-	-	-
ORGANIC BALKAN LTD	09-54	29,848	13,497	-	24,216	24,216	5,632	-	-
Co-financed Grants for Newly Established Enterprises "Start-up" and "Spin-off"		-	-	-	-	-	-	-	-
Remaining funds	-	-	-	-	-	-	-	-	-
TAF INDUSTRIES	09-50	28,600	20,000	-	22,700	22,700	5,900	-	-
Co-financed Grants for Newly Established Enterprises "Start-up" and "Spin-off"		-	-	-	-	-	-	-	-
Remaining funds	-	-	-	-	-	-	-	-	-
Step-up DOOEL	09-63	29,809	5,263	-	25,165	25,165	4,644	-	-
Co-financed Grants for Newly Established Enterprises "Start-up" and "Spin-off"		-	-	-	-	-	-	-	-
Remaining funds	-	-	-	-	-	-	-	-	-
Wigo Digital	09-59	30,000	10,000	-	17,600	17,600	12,400	-	-
Co-financed Grants for Newly Established Enterprises "Start-up" and "Spin-off"		-	-	-	-	-	-	-	-
Remaining funds	-	-	-	-	-	-	-	-	-
Sub-Total (Fourth call)		803,908	403,525	-	332,540	332,540	471,368	-	-

Financial Statements

For the period from 01 January 2018 to 31 December 2018

Statement of breakdown of Loans and Grants (continued)

(Amounts in EUR)
 Cumulative for the period from 01 January 2018 through 31 December 2018

	Sub-Loan/grant No. / WB approved date	Sub-Loan/Grant amount		Paid by State budget	Paid Sub-Loan/Grant amount		Remaining balance of loan amount	Outstanding payments	Payment requests processed (number of transactions)
		Loan amount	Co-financing amount		Current period	Cumulative amount			
Fifth call of Financial Instruments									
X factor akcelerator	09-817	450,000	150,000	-	13,080	13,080	436,920	-	-
Co-financed Grants for the Establishment, Operations and Investments of Business and Technology Accelerators		-	-	-	-	-	-	-	-
Remaining funds	-	-	-	-	-	-	-	-	-
Delovno-tehnoloski akcelerator UKIM DOO Skopje	09-818	500,000	166,667	-	13,545	13,545	486,455	-	-
Co-financed Grants for the Establishment, Operations and Investments of Business and Technology Accelerators		-	-	-	-	-	-	-	-
Remaining funds	-	-	-	-	-	-	-	-	-
Sub-Total (Fifth call)		950,000	316,667	-	26,625	26,625	923,375	-	-
Total		3,199,422	1,189,025	113,842	367,370	1,127,403	2,072,019	-	-

Financial Statements
 For the period from 01 January 2018 to 31 December 2018

Statement of Withdrawals – Designated Account

(Amounts in EUR)

For the period from 1 January 2018 to 31 December 2018

Application # and date	Total Requested	Total Disbursed	Difference
Original Loan 8332-MK			
#11 Application / 27.02.2018*	770,911	770,798	(113)
#12 Application / 19.10.2018**	861,177	861,077	(100)
	1,632,088	1,631,875	(213)

*The Ministry, from Application 11 received 770,797 EUR which is less than requested funds for the bank fee in amount of 113 EUR.

**The Ministry, from Application 12 received 861,077 EUR which is less than requested funds for the bank fee in amount of 100 EUR.

(Amounts in EUR)

For the period from 1 January 2017 to 31 December 2017

Application # and date	Total Requested	Total Disbursed	Difference
Original Loan 8332-MK			
#7 Application / 20.01.2017	248,877	248,877	-
#8 Application / 15.02.2017	370,901	370,901	-
#9 Application / 30.05.2017*	370,370	370,270	(100)
#10 Application / 15.11.2017**	698,494	698,494	-
	1,688,642	1,688,542	(100)

*The Ministry, from Application 9 received 370,270 EUR which is less than requested funds for the bank fee in amount of 100 EUR.

**The funds from Application 10 are allocated to Fund for Innovation and Technological Development. This fund is responsible to build the institutional capacity to stimulate innovative activities and piloting financial instruments to support innovation and technological development in the enterprise sector.

Financial Statements
For the period from 01 January 2018 to 31 December 2018

Statement of Designated Account – EUR (Ministry of Education and Science)

Account number	MK 07 1007 0100 0146 543
Depository Bank	National Bank of the Republic of North Macedonia
Address	Complex of Banks, 1000 Skopje, Republic of North Macedonia
Loan Number	8332-MK
Currency	EUR

(Amounts in EUR)
For the period from 1 January 2018 to 31 December 2018

At 1 January 2018	481,922
<hr/>	
Add: Inflows	
Replenishment during the period*	1,631,875
	1,631,875
Deduct: Outflows	
Transfer to treasury account (Mirror designated account) - MKD	(1,724,356)
Transfer to treasury account (Mirror designated account) - MKD for transfer to Petty Cash in EUR	(2,029)
	(1,726,385)
At 31 December 2018	387,412

*The Ministry has received fewer funds from the IBRD for the amount of bank fee of 213 EUR.

(Amounts in EUR)
For the period from 1 January 2017 to 31 December 2017

At 1 January 2017	497,202
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Add: Inflows	
Replenishment during the period*	990,048
	990,048
Deduct: Outflows	
Transfer to treasury account (Mirror designated account) - MKD	(1,002,908)
Transfer to treasury account (Mirror designated account) - MKD for transfer to Petty Cash in EUR	(2,420)
	(1,005,328)
At 31 December 2017	481,922

*The Ministry has received fewer funds from the IBRD for the amount of bank fee of 100 EUR.

Financial Statements
For the period from 01 January 2018 to 31 December 2018

Statement of Designated Account – EUR (Fund for Innovation and Technological Development)

Account number	MK 07 1007 0100 0147804
Depository Bank	National Bank of the Republic of North Macedonia
Address	Complex of Banks, 1000 Skopje, Republic of North Macedonia
Loan Number	8332-MK
Currency	EUR

(Amounts in EUR)
For the period from 1 January 2018 to 31 December 2018

At 1 January 2018	956,342
<hr/>	
Add: Inflows	
Replenishment during the period	-
<hr/>	
Deduct: Outflows	
Transfer to treasury account (Mirror designated account) - MKD	(367,370)
	(367,370)
At 31 December 2018	588,972

(Amounts in EUR)
For the period from 1 January 2017 to 31 December 2017

At 1 January 2017	499,001
<hr/>	
Add: Inflows	
Replenishment during the period	698,494
	698,494
<hr/>	
Deduct: Outflows	
Transfer to treasury account (Mirror designated account) - MKD	(241,153)
	(241,153)
At 31 December 2017	956,342

Financial Statements
 For the period from 01 January 2018 to 31 December 2018

Statement of Treasury Account (Mirror Designated Account) – MKD (Ministry of Education and Science)

Account number	160010032978651
Depository Bank	National Bank of the Republic of North Macedonia
Address	Complex of Banks, 1000 Skopje, Republic of North Macedonia
Loan Number	8332-MK
Currency	Macedonian Denars ("MKD")

(Amounts in EUR)
 For the period from 1 January 2018 to 31 December 2018

At 1 January 2018	3,887
Add: Inflows	
Transfer from designated account – EUR	1,724,356
Transferred funds from designated account – EUR for Petty cash in EUR	2,029
Return of unspent funds under Transfers (Grants) for Secondary TVET School-Business Sector Joint Project	2
Foreign exchange gains	96
	1,726,483
Deduct: Outflows	
Amount of eligible expenses paid during the period	(1,720,027)
Transfer to Petty Cash in MKD	(449)
Transfer to Petty Cash in EUR	(2,029)
Return of funds to the National bank of Republic of North Macedonia due to difference in calculation of exchange rate for the transfer of funds from DA-A to the Treasury Account	(106)
Foreign exchange losses	(13)
	(1,722,624)
At 31 December 2018	7,746

(Amounts in EUR)
 For the period from 1 January 2017 to 31 December 2017

At 1 January 2017	7,245
Add: Inflows	
Transfer from designated account – EUR	1,002,908
Transferred funds from designated account – EUR for Petty cash in EUR	2,420
Returned unused funds from school SOU Gorce Petrov Kriva Palanka	1,101
Foreign exchange gains	76
	1,006,505
Deduct: Outflows	
Amount of eligible expenses paid during the period	(1,005,122)
Transfer to Petty Cash in MKD	(1,075)
Transfer to Petty Cash in EUR	(2,420)
Transferred funds to SOU Gorce Petrov Kriva Palanka	(1,101)
Foreign exchange losses	(145)
	(1,009,863)
At 31 December 2017	3,887

Financial Statements
 For the period from 01 January 2018 to 31 December 2018

Statement of Treasury Account (Mirror Designated Account) – MKD (Fund for Innovation and Technological Development)

Account number	40016201478616
Depository Bank	National Bank of the Republic of North Macedonia
Address	Complex of Banks, 1000 Skopje, Republic of North Macedonia
Loan Number	8332-MK
Currency	Macedonian Denars ("MKD")

(Amounts in EUR)
 For the period from 1 January 2018 to 31 December 2018

At 1 January 2018	-
<hr/>	
Add: Inflows	
Transfer from designated account – EUR	367,370
Foreign exchange gains	24
	367,394
<hr/>	
Deduct: Outflows	
Amount of eligible expenses paid during the period	(367,370)
Foreign exchange losses	(24)
	(367,394)
<hr/>	
At 31 December 2018	-

(Amounts in EUR)
 For the period from 1 January 2017 to 31 December 2017

At 1 January 2017	33
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Add: Inflows	
Transfer from designated account – EUR	241,153
Transferred funds from users for eligible expenses paid during the period	8,999
Transferred funds from users for eligible expenses paid during 2016	17,802
Foreign exchange gains	86
	268,040
<hr/>	
Deduct: Outflows	
Amount of eligible expenses paid during the period*	(259,035)
Transfer to users	(8,999)
Foreign exchange losses	(39)
	(268,073)
<hr/>	
At 31 December 2017	-

Financial Statements
For the period from 01 January 2018 to 31 December 2018

Statement of Petty Cash in MKD (Ministry of Education and Science)

Loan Number 8332-MK
Currency Macedonian Denars (“MKD”)

(Amounts in EUR)
For the period from 1 January 2018 to 31 December 2018

At 1 January 2018	94
<hr/>	
Add: Inflows	
Transfer from Mirror Designated Account – MKD	449
	449
<hr/>	
Deduct: Outflows	
Amount of eligible expenses paid during the period	(522)
	(522)
At 31 December 2018	21

(Amounts in EUR)
For the period from 1 January 2017 to 31 December 2017

At 1 January 2017	130
<hr/>	
Add: Inflows	
Transfer from Mirror Designated Account – MKD	1,075
	1,075
<hr/>	
Deduct: Outflows	
Amount of eligible expenses paid during the period	(1,110)
Foreign exchange losses	(1)
	(1,111)
At 31 December 2017	94

Financial Statements
For the period from 01 January 2018 to 31 December 2018

Statement of Petty Cash in EUR (Ministry of Education and Science)

Loan Number 8332-MK
Currency EUR

(Amounts in EUR)
For the period from 1 January 2018 to 31 December 2018

At 1 January 2018	396
<hr/>	
Add: Inflows	
Transfer from Mirror Designated Account – EUR	2,029
	2,029
<hr/>	
Deduct: Outflows	
Amount of eligible expenses paid during the period	(2,405)
	(2,405)
<hr/>	
At 31 December 2018	20

(Amounts in EUR)
For the period from 1 January 2017 to 31 December 2017

At 1 January 2017	-
<hr/>	
Add: Inflows	
Transfer from Mirror Designated Account – EUR	2,420
	2,420
<hr/>	
Deduct: Outflows	
Amount of eligible expenses paid during the period	(2,024)
	(2,024)
<hr/>	
At 31 December 2017	396

Notes to Project’s financial statements

1 General

On 7 February 2014, the Ministry of Education and Science of the Republic of North Macedonia (“the Ministry” or “the Borrower”), entered into the Loan Agreement numbered 8332-MK with the International Bank for Reconstruction and Development (“IBRD”) for financing the “Skills Development and Innovation Support Project” (further referred to as “the Project”) in the amount of EUR 17,700,000.

The objective of the Project is to improve transparency of resource allocation and promote accountability in higher education, enhance the relevance of secondary technical vocation education, and support the Borrower's innovation capacity.

The Borrower has established the Project Management Unit (“PMU”), responsible for the day- to- day activities and for procurement, financial management, disbursement and monitoring and reporting for the entire Project.

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

Category	Amount of the Loan allocated (expressed in Euro) Revised original values	Percentage of the Expenditures to be financed (inclusive of taxes)
1.Goods,works,non-consulting services, consulting services, training and operating costs	7,847,000	100%
2.School grants	649,000	100%
3.Innovation grants and Innovation Sub-Loans	9,159,750	100%
4.Front and Fee	44,250	
Total	17,700,000	

According to the provisions of the Loan Agreement, the Borrower is liable to repay the principal amount of the Loan in semi-annual installments, payable each 1st February and 1st August, commencing 1 February 2019 through 1 August 2031. The Borrower is liable to pay to IBRD a front-end fee equal to 1/4 of 1% (0.25%) of the Loan amount and interest for each interest period equal to LIBOR for the Loan Currency plus a Variable Spread.

The Closing Date of the Project is 30 June 2020. The effectiveness deadline is the date ninety days after the date of the Loan Agreement.

2 Project Objectives, Activities and Institutional Arrangements

Project Objectives and Activities

The proposed Project would support the Government of North Macedonia’s (GOM) initiatives geared to:

- increase graduates’ competitiveness on a regional and international level;
- increase labor market relevance of graduates’ skills;
- make innovation a source of productivity improvement, competitiveness, increased exportability of goods, and sustained economic growth; and
- increase universities and private enterprises engagement in, and their benefit from, R&D efforts and technology adoption opportunities.

The Project consists of four components:

Component 1: Improving Transparency of Higher Education

This component will have three main sets of activities, all targeted toward improving both the transparency and efficiency of the quality assurance and finance mechanisms in the higher education sector: (i) institutional strengthening and stronger quality assurance in higher education; (ii) reforming the higher education financing model; and (iii) establishing a centralized office to foster mission-oriented research and university-industry collaboration.

Sub-component 1.1: Quality Assurance in Higher Education

This sub-component builds upon Bank-supplied technical assistance in higher education quality assurance (2010-2012) and would finance activities targeted toward improving the quality assurance mechanisms in higher education, including: (i) providing training for improving the administrative capacity of the Higher Education Accreditation and Evaluation Board (HEAEB) and other key players in charge of managing quality assurance activities; (ii) funding of external evaluation by foreign experts of North Macedonia’s higher education sector, and up; and (iii) upgrading of the education management and information system, including the development and implementation of the central data base.

Sub-component 1.2: Higher Education Financing Reforms

This sub-component, utilizing technical assistance and information gleaned through a Bank-sponsored pilot of a potential new finance model, would support the design and implementation of a performance-based funding model to promote transparency and efficiency in the resource allocation mechanisms. It would include the following technical assistance activities: (i) assessment of funding model options to select the most appropriate model for the North Macedonian context; (ii) design of the funding model, formula and implementation plan; (iii) identification of internal performance indicators and results framework for monitoring and evaluation; and (iv) rollout of the new funding model. This subcomponent would also finance communication campaigns, outreach and dissemination events to inform different groups of stakeholders about these reforms and generate support for them.

Sub-component 1.3: Development of a National Technology Transfer Office (NTTO)

This subcomponent would support the development of a central office to be the system-wide interface between the research community and the industry, and a national focal point for international cooperation. It would play a key role in the conversion of the results of research into competitive products and processes, and steer research towards industry needs. The NTTO is expected to have a mandate that is broader than a typical academic technology transfers office.

Project Objectives, Activities and Institutional Arrangements (continued)

The proposed NTTTO, while performing typical tasks such as industry outreach, would additionally be a center for advising the industry in North Macedonia on Intellectual Property (IP) in-licensing and technology importation and integrating the innovation activities of North Macedonia with EU programs. Given the small country size, and low research activities, having a technology transfer office with a broader mandate makes sense as it leverages economies of scale and prevents duplication of efforts. The subcomponent would provide technical assistance for establishment and operationalization of the NTTTO and would also finance the salaries of experts and the purchase of patent and market intelligence databases.

Component 2: Modernization of Secondary Technical Vocational Education and Training

This component would finance activities targeted toward building the foundation of a modern and efficient secondary TVET system that is characterized by delayed tracking of students into vocational pathway, increased relevance of the standards and curriculum for the labor market and improved mechanisms for school-industry collaboration. These changes are expected to lead to the transformation of the secondary TVET from the narrow occupational to a more general and broader technical education and eventually to result in greater labor market relevance and transferability of skills, and increased flexibility in secondary TVET provision. It consists of two sub-components.

Sub-component 2.1: Quality and labor market relevance of TVET provision

This subcomponent would contribute to the modernization of the secondary TVET system and its relevance for the labor market needs and improving the capacity of TVET secondary schools to deliver quality TVET. Specifically, this sub-component would finance: (i) technical assistance to support the development of an overarching model for the transformation of the secondary TVET provision; (ii) development of occupational standards, competency-based curriculum and programs; (ii) efficiency assessment of the secondary TVET school network and development of a proposal for restructuring the network; (iii) development of a training program for teachers and other staff, including identification of required skills, development of training materials and rollout of the program; and (iv) carrying out of a need analysis and acquisition of equipment for school-based practical training.

Sub-component 2.2: Grants for school-industry collaboration

This subcomponent would finance technical assistance activities aimed at: (i) designing and implementing a grant program to support TVET activities; and (ii) provision of School Grants to selected TVET schools to finance activities to improve the labor market relevance of the vocational education and training including involving industries into the practical training delivery.

Component 3: Improving the Innovative Capacity of Enterprises and Collaboration with Research Organizations

This component is focused on supporting the efforts of the North Macedonia Fund for Innovation and Technological Development (FITD) to build the institutional capacity to stimulate innovative activities, and piloting financial instruments to support innovation and technological development in the enterprise sector. It is organized around two sub-components.

Sub-component 3.1: FITD capacity building

This sub-component would finance activities required to build up institutional competence of the FITD, in particular, providing support for: (i) planning and designing the programs, strategy, operations and procedures; (ii) training of FITD staff; (iii) selection of the Investment Committee and peer reviewers; (iv) mentoring and training for FITD beneficiary enterprises; and (v) marketing and communications strategy.

Project Objectives, Activities and Institutional Arrangements (continued)

Sub-component 3.2: Pilot of Financial Instruments to be delivered by FITD

Once the FITD is established, it would provide specific funding instruments for each stage of companies’ life cycle to foster innovation. These instruments will include: (i) an accelerator; (ii) proof of concept innovation mini grants, including but not limited to IP protection, and business plan preparation for initial capital mobilization; (iii) commercialization matching grants and loans; and (iv) sector specific grants in technology development and technology absorption projects for new or improved technologies, products and processes. It is anticipated that the pilot instruments will be introduced in a phased approach starting with the accelerator and proof of concept grants.

Component 4: Project Management and Monitoring and Evaluation

This component would finance the activities in two sub-components to: (i) ensure effective administration and implementation of the Bank-financed project; and (ii) develop and put in place an effective M&E system.

Subcomponent 4.1: Project Management

This sub-component would support the operation of a Project Management Unit (PMU) reporting to a Project Director and responsible for all the day-to-day project implementation activities, as well as procurement, disbursement and accounting functions. World Bank financing would be provided for consultants employed as part of the PMU, as well as for assistance and training to all project staff, project audits, office equipment and incremental operating costs.

Subcomponent 4.2: Monitoring and Evaluation

M&E are crucial elements of program design as they provide important feedback mechanisms for policy, effectiveness, and credibility of the programs. The Project would support the design and implementation of (i) tools to monitor the results framework for the Project; (ii) M&E studies/surveys to establish a baseline for project results indicators as well as their measures during project implementation and upon project; (iii) impact evaluation for selected innovation programs; and (iv) skills observatory. World Bank financing would be provided for technical assistance; services and training of the Ministry of Education and Science staff engaged in monitoring; and the design, implementation, and analysis of evaluation surveys.

Institutional Arrangements

The PMU shall be responsible for the day-to-day Project implementation and for procurement, financial management, disbursement and monitoring, and reporting for the entire Project. The Steering Committee shall be responsible for overall Project oversight and coordination. The Working Group shall be responsible for providing necessary technical expertise and support for efficient Project implementation. The Grant Approval Committee shall be responsible for evaluating and selecting proposals for School Subprojects. The Investment Review Committee shall be responsible for evaluating and selecting proposals for Innovation Subproject.

Throughout the duration of the Project the Borrower shall: (i) maintain the PMU, the Steering Committee and the Working Group; and (ii) establish and maintain the Investment Review Committee and the Grant Approval Committee; all with staff, resources and terms of reference satisfactory to the Bank.

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

3 Accounting policies

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

Basis of preparation

The accompanying financial statements have been prepared for the purposes of reporting to IBRD, on the activities of the Project related to the loan received for the completion of the Project’s objectives, in accordance with the respective provisions set out in the Loan Agreement numbered 8332-MK signed between the IBRD and Ministry of Education and Science of the Republic of North Macedonia. 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 8332-MK dated 7 February 2014.

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

The financial statements have been prepared for the period from 1 January 2018 through 31 December 2018.

Currency translation

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



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