



Grant Thornton

Project's Financial Statements and  
Independent Auditor's Report

Ministry of Education and Science of the Republic of  
Macedonia

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

For the period from 01 January 2016 to 31  
December 2016

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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 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 2016 to 31 December 2016 included on pages 4 to 31, 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.

8 June 2017



Renata Deskoska

Minister of  
Education and  
Science



Igor Krstevski

Project Director



Aleksandra  
Davitkovska

Financial Manager



Jasmina Popovska

Director of  
Fund for Innovation  
and Technological  
Development



Grant Thornton

## Independent Auditor's Report

Grant Thornton DOO  
Sv. Kiril I Metodij 52b/1-20  
1000 Skopje  
Macedonia

T +389 2 3214 700  
F +389 2 3214 710  
www.grant-thornton.com.mk

To the Management of the Project

We have audited the accompanying financial statements of the Ministry of Education and Science of the Republic of 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 of 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 as to "the Project's Financial Statements") as at and for the period from 01 January 2016 to 31 December 2016 and included on pages 4 to 31.

### *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 (IBRD) management, and are the responsibility of the management of the Project. The Projects' 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 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 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.

<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.

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 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 2016, 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 2016 to 31 December 2016, 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,

8 June 2017

Grant Thornton DOO, Skopje

  
\_\_\_\_\_  
Director  
Suzana Stavrik



  
\_\_\_\_\_  
Certified Auditor  
Suzana Stavrik

Financial Statements

For the period from 01 January 2016 to 31 December 2016

## Statement of Sources and Uses of Funds

	(Amounts in EUR)					
	For the period from 01 January 2016 to 31 December 2016					
	Actual		Planned		Variance	
	Current period	Cumulative to date	Current period	Cumulative to date	Current period	Cumulative to date
<b>Sources of funds</b>						
World bank DA-A	383,977	1,992,011	339,727	1,947,761	-	-
World bank DA-B	600,000	1,000,000	600,000	1,000,000	-	-
Interests Earned	-	-	-	-	-	-
Front end fee	-	-	44,250	44,250	-	-
<b>Total sources of funds</b>	<b>983,977</b>	<b>2,992,011</b>	<b>983,977</b>	<b>2,992,011</b>	<b>-</b>	<b>-</b>
<b>Foreign exchange difference</b>						
Exchange gains	89	150	-	-	89	150
Exchange losses	(15)	(104)	-	-	(15)	(104)
<b>Foreign exchange differences, net</b>	<b>74</b>	<b>46</b>	<b>-</b>	<b>-</b>	<b>74</b>	<b>46</b>
<b>Uses of funds</b>						
<b>Financed by WB</b>						
Component 1: Improving Transparency in higher education	55,355	152,741	108,861	206,248	(53,506)	(53,506)
Component 2: Modernization of Secondary Technical Vocational Education and Training	405,728	609,938	606,745	810,955	(201,017)	(201,017)
Component 3: Improving the Innovative capacity of enterprises and collaboration with research organizations	31,392	103,338	32,912	104,858	(1,520)	(1,520)
Component 3: Sub-component 3.2: Pilot of Financial Instruments to be delivered by FITD	500,998	500,998	500,998	500,998	-	-
Component 4: Project Management and Monitoring and Evaluation	260,070	577,181	276,637	593,748	(16,567)	(16,567)
Front and fee	-	44,250	-	44,250	-	-
<b>Subtotal - Financed by WB</b>	<b>1,253,543</b>	<b>1,988,446</b>	<b>1,526,153</b>	<b>2,261,057</b>	<b>(272,610)</b>	<b>(272,610)</b>
<b>Financed by GoM</b>						
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	-	-	-	-	-	-
<b>Subtotal - Financed by the GoM</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total uses of funds</b>	<b>1,253,543</b>	<b>1,988,446</b>	<b>1,526,153</b>	<b>2,261,057</b>	<b>(272,610)</b>	<b>(272,610)</b>

Financial Statements

For the period from 01 January 2016 to 31 December 2016

Statement of Uses of Funds by project activity (continued)

(Amounts in EUR)

	Actual		Planned		Variance	
	Current period	Cumulative to date	Current period	Cumulative to date	Current period	Cumulative to date
<b>Balance</b>	<b>(269,492)</b>	<b>1,003,611</b>	-	-	-	-
Bank balances, at beginning of the period	1,273,103	-	-	-	-	-
<b>Bank balances, at end of the period</b>	<b>1,003,611</b>	<b>1,003,611</b>	-	-	-	-

The Project's Financial Statements have been approved by the Ministry on 7 June 2017 and signed on its behalf by:



Renata Deskoska

Minister of  
Education and  
Science

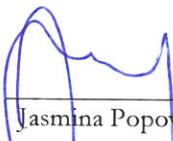


Igor Krstevski

Project Director



Aleksandra  
Davitkovska  
Financial Manager



Jasmina Popovska

Director of  
Fund for Innovation  
and Technological  
Development

Financial Statements

For the period from 01 January 2016 to 31 December 2016

## Statement of Uses of Funds by Project Activity -MOES

	(Amounts in EUR)					
	For the period from 01 January 2016 to 31 December 2016				Variance	
	Actual Current period	Cumulative to date	Planned Current period	Cumulative to date	Current period	Cumulative to date
<b>Project's expenditures by activity:</b>						
<b>Component 1: Improving Transparency of Higher Education</b>						
Contract 1: Needs Assessment for Capacity Building of the Board for HEAEB	9,450	9,450	9,600	9,600	(150)	(150)
Contract 2 : Needs Assessment, Strategy and Policy Development for NTTO		97,387	-	97,387	-	-
Contract 3 : Administration and Communication Officer for HEAEB	7,701	7,701	7,700	7,700	1	1
Contract 4 : Web-Site Developer and ICT Support and Maintenance Consultant for HEAEB	2,737	2,737	2,700	2,700	37	37
Contract 5 : Quality Assurance and Evaluation Officer for HEAEB	2,737	2,737	2,700	2,700	37	37
Contract 6 : Design and Establishment of EMIS for Higher Education	9,569	9,569	10,000	10,000	(431)	(431)
Contract 7:Assessment of Funding Model Options and Preparation of Funding Model and Formula and Implementation Plan	23,161	23,161	76,161	76,161	(53,000)	(53,000)
Contract 8	-	-	-	-	-	-
Contract 9	-	-	-	-	-	-
Contract 10	-	-	-	-	-	-
Contract 11	-	-	-	-	-	-
Payments without contract	-	-	-	-	-	-
<b>Sub-total</b>	<b>55,355</b>	<b>152,742</b>	<b>108,861</b>	<b>206,248</b>	<b>(53,506)</b>	<b>(53,506)</b>
<b>Component 2: Modernization of Secondary Technical Vocational Education and Training</b>						
Contract 1:Skills forecasting	29,314	78,400	29,313	78,399	1	1
Contract 2: Development and Design of the Concept for Secondary TVET	325,152	325,152	522,843	522,843	(197,691)	(197,691)
Contract 3: TA for new competency based curriculum and pertinent modules for innovation and entrepreneurship education in secondary education	-	123,120	-	123,120	-	-
Contract 4 : Preparation of program for provision of grants and support in development of implementation legal procedures	23,991	55,995	23,990	55,994	1	1
Contract 5	-	-	-	-	-	-
Contract 6	-	-	-	-	-	-
Contract 7	-	-	-	-	-	-
Payments without contract	-	-	-	-	-	-
Transfers (Grants) for Secondary TVET Schools-Business Sector Joint Projects Training related to implementation of the grants program (preparation of applications)	26,034	26,034	29,000	29,000	(2,966)	(2,966)
	1,237	1,237	1,599	1,599	(362)	(362)
<b>Sub-total</b>	<b>405,728</b>	<b>609,938</b>	<b>606,745</b>	<b>810,955</b>	<b>(201,017)</b>	<b>(201,017)</b>



Financial Statements

For the period from 01 January 2016 to 31 December 2016

Statement of Uses of Funds by project activity (continued)

(Amounts in EUR)

	Actual		Planned		Variance	
	Current period	Cumulative to date	Current period	Cumulative to date	Current period	Cumulative to date
For the period from 01 January 2016 to 31 December 2016						
<b>Project's expenditures by activity:</b>						
<b>Component 3: Improving the Innovative capacity of enterprises and collaboration with research organizations</b>						
Contract 1: Resident Advisor for Capacity Building of the FITD	11,082	43,459	21,000	53,377	(9,918)	(9,918)
Contract 2: Software for the Needs of the FITD	3,895	34,391	1,782	32,278	2,113	2,113
Contract 3: Equipment for the FITD	-	4,928	-	4,928	-	-
Contract 4 : Office chairs for FITD	1,970	1,970	2,500	2,500	(530)	(530)
Contract 5 : FITD Financial Management Assistant	6,616	6,616	2,830	2,830	3,786	3,786
Contract 6 : FITD Program Assistant	5,801	5,801	2,600	2,600	3,201	3,201
Contract 7	-	-	-	-	-	-
Payments without contract	-	-	-	-	-	-
Capacity Building of the FITD/ Training / accommodation - study visit in Finland	2,028	6,173	2,200	6,345	(172)	(172)
<b>Sub-total</b>	<b>31,392</b>	<b>103,338</b>	<b>32,912</b>	<b>104,858</b>	<b>(1,520)</b>	<b>(1,520)</b>
<b>Component 4: Project Management and Monitoring and Evaluation</b>						
Contract 1: Project Manager/Director	20,582	62,000	18,844	60,262	1,738	1,738
Contract 2: Procurement Specialist	17,543	52,742	16,050	51,249	1,493	1,493
Contract 3: Financial Specialist	13,322	39,028	12,210	37,916	1,112	1,112
Contract 4: Coordinator for business and innovations	12,238	39,443	11,126	38,331	1,112	1,112
Contract 5: Monitoring and Evaluation Specialist	12,522	29,136	11,327	27,941	1,195	1,195
Contract 6: Part-Time Environmental Consultant Contract no:002-15-1/4.1.8	3,400	5,808	6,400	8,808	(3,000)	(3,000)
Contract 7: Part-Time Environmental Consultant Contract no:002-15-2/4.1.8	3,600	6,008	6,600	9,008	(3,000)	(3,000)
Contract 7: Financial/Accounting Software and support and maintenance for the project duration	139	1,650	135	1,646	4	4
Contract 8: Equipment for the PMU	-	2,453	-	2,453	-	-
Contract 9: Hardware for the PMU	-	15,628	-	15,628	-	-
Contract 10: Administrative Assistant	12,224	27,735	12,130	27,641	94	94
Contract 11: Procurement Assistant	12,002	26,378	12,000	26,376	2	2
Contract 12: Phones for the PMU	-	5,672	-	5,672	-	-
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	21,999	26,331	27,895	32,227	(5,896)	(5,896)
Contract 14: Monitoring and Evaluation Assistant	9,601	10,110	8,800	9,309	801	801
Contract 15: Grants Officer	9,812	10,321	8,993	9,502	819	819
Contract 16: Development of Software for Skills Observatory	13,255	23,856	40,650	51,251	(27,395)	(27,395)
Contract 17: Technical Assistance for Policy Development and Initial Set-Up of the Skills Observatory	-	42,920	-	42,920	-	-
Contract 18: IT Specialist for the establishment of the Skills Observatory	3,000	12,247	3,000	12,247	-	-
Contract 19: IT Senior Administrator for the Skills Observatory	13,621	20,091	12,478	18,948	1,143	1,143
Contract 20: Skills Observatory Administrator	9,602	10,110	8,800	9,308	802	802
Contract 21: VET Coordinator	13,952	13,952	12,808	12,808	1,144	1,144
Contract 22: Data collection for conducting a tracer study for TVET and HE employment outcomes of graduates	27,582	27,582	27,582	27,582	-	-

Financial Statements

For the period from 01 January 2016 to 31 December 2016

Statement of Uses of Funds by project activity (continued)

(Amounts in EUR)

	For the period from 01 January 2016 to 31 December 2016					
	Actual		Planned		Variance	
	Current period	Cumulative to date	Current period	Cumulative to date	Current period	Cumulative to date
<b>Project's expenditures by activity:</b>						
Contract 23: Project Audit	5,340	5,340	5,340	5,340	-	-
Payments without contract						
Training / accommodation, per diem, and transport	4,638	8,191	470	4,023	4,168	4,168
Operating Cost for the PMU	18,681	49,101	11,884	42,304	6,797	6,797
Operating costs: Bank provision	445	1,272	454	1,281	(9)	(9)
Operating costs: Petty cash	970	2,076	661	1,767	309	309
<b>Sub-total</b>	<b>260,070</b>	<b>577,181</b>	<b>276,637</b>	<b>593,748</b>	<b>(16,567)</b>	<b>(16,567)</b>
<b>Total</b>	<b>752,545</b>	<b>1,443,199</b>	<b>1,025,155</b>	<b>1,715,809</b>	<b>(272,610)</b>	<b>(272,610)</b>

Financial Statements  
For the period from 01 January 2016 to 31 December 2016

## Balance sheet

In EUR	31 December 2016	31 December 2015
<b>Assets</b>		
Bank balances	1,003,611	1,273,103
<b>Total assets</b>	<b>1,003,611</b>	<b>1,273,103</b>
<b>Funds and liabilities</b>		
<b>Funds</b>		
Unspent funds	1,003,611	1,273,103
<b>Fund balance</b>	<b>1,003,611</b>	<b>1,273,103</b>
<b>Total Fund and liabilities</b>	<b>1,003,611</b>	<b>1,273,103</b>

## Statement of Breakdown of Loans and Grants-MoES

	Sub-Loan/grant No. / WB approved date	Sub-Loan/grant amount	Cumulative for the period from 01 January 2016 through 31 December 2016			(Amounts in EUR) Payment requests processed (number of transactions)
			Paid sub-loan/Grant amount	Remaining balance	Outstanding payments	
<b>Sub-component 2.2. Grants for school-business collaboration (MoES)</b>						
<b>Transfers (Grants) for Secondary TVET Schools-Business Sector Joint Projects</b>						
<b>ASUC Boro Petrushevski, Skopje</b>	24-518/2	18,600	5,580	13,020	1	1
Grant 1						
Contract 1		-	-	-	-	-
Contract 2		-	-	-	-	-
Contract 3		-	-	-	-	-
Remaining funds		-	-	-	-	-
<b>SOZSU Gjorce Petrov, Kavadarci</b>	24-521/2	19,612	5,885	13,727	-	1
Grant 2						
Contract 1		-	-	-	-	-
Contract 2		-	-	-	-	-
Contract 3		-	-	-	-	-
Remaining funds		-	-	-	-	-
<b>SSOU Masha Pijade, Tetovo</b>	24-519/2	9,770	2,931	6,839	1	1
Grant 3						
Contract 1		-	-	-	-	-
Contract 2		-	-	-	-	-
Contract 3		-	-	-	-	-
Remaining funds		-	-	-	-	-

Financial Statements  
 For the period from 01 January 2016 to 31 December 2016

Statement of breakdown of Loans and Grants (continued)

	Sub-Loan/grant No. / WB approved date	Sub-Loan/grant amount	Paid sub-loan/grant amount	Remaining balance	Outstanding payments	Payment requests processed (number of transactions)
<b>DUCOR Partenija Zografski, Skopje</b>						
<b>Grant 4</b>	<b>01-460/2</b>	<b>9,651</b>	<b>2,896</b>	<b>6,755</b>	<b>-</b>	<b>1</b>
Contract 1		-	-	-	-	-
Contract 2		-	-	-	-	-
Contract 3		-	-	-	-	-
Remaining funds		-	-	-	-	-
<b>SOU Gjorce Petrov, Kriva Palanka</b>	<b>24-555/2</b>	<b>9,751</b>	<b>2,925</b>	<b>6,826</b>	<b>-</b>	<b>1</b>
<b>Grant 5</b>						
Contract 1		-	-	-	-	-
Contract 2		-	-	-	-	-
Contract 3		-	-	-	-	-
Remaining funds		-	-	-	-	-
<b>SOU Goce Delcevi, Valandovo</b>	<b>24-556/2</b>	<b>9,787</b>	<b>2,933</b>	<b>6,854</b>	<b>1</b>	<b>1</b>
<b>Grant 6</b>						
Contract 1		-	-	-	-	-
Contract 2		-	-	-	-	-
Contract 3		-	-	-	-	-
Remaining funds		-	-	-	-	-
<b>SOU Orde Copela, Prilep</b>	<b>24-538/2</b>	<b>4,864</b>	<b>-</b>	<b>4,864</b>	<b>1</b>	<b>-</b>
<b>Grant 7</b>						
Contract 1		-	-	-	-	-
Contract 2		-	-	-	-	-
Contract 3		-	-	-	-	-
Remaining funds		-	-	-	-	-
<b>SOZU Kuzman Shapkarev, Bitola</b>	<b>24-537/2</b>	<b>4,712</b>	<b>1,414</b>	<b>3,298</b>	<b>-</b>	<b>1</b>
<b>Grant 8</b>						
Contract 1		-	-	-	-	-
Contract 2		-	-	-	-	-
Contract 3		-	-	-	-	-
Remaining funds		-	-	-	-	-

Financial Statements  
 For the period from 01 January 2016 to 31 December 2016

Statement of breakdown of Loans and Grants (continued)

	Sub-Loan/grant No. /WB approved date	Sub-Loan/grant amount	Cumulative for the period from 01 January 2016 through 31 December 2016		Payment requests processed (number of transactions)
			Paid sub-loan/grant amount	Remaining balance	
<b>OSU Aco Ruskoski, Berovo</b>	<b>24-561/2</b>	<b>4,901</b>	<b>1,470</b>	<b>3,431</b>	<b>1</b>
<b>Grant 9</b>					
Contract 1		-	-	-	-
Contract 2		-	-	-	-
Contract 3		-	-	-	-
Remaining funds		-	-	-	-
<b>OSU Riste Risteski Ricko, Prilep</b>	<b>24-557/2</b>	<b>4,902</b>	-	<b>4,902</b>	<b>1</b>
<b>Grant 10</b>					
Contract 1		-	-	-	-
Contract 2		-	-	-	-
Contract 3		-	-	-	-
Remaining funds		-	-	-	-
<b>Total</b>		<b>96,550</b>	<b>26,034</b>	<b>70,516</b>	<b>-</b>



Ministry of Education and Science of the Republic of Macedonia  
 "Skills Development and Innovation Support Project"  
 IBRD Loan number 8332-MK

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Financial Statements

For the period from 01 January 2016 to 31 December 2016

Statement of breakdown of Loans and Grants (continued)

		Cumulative for the period from 01 January 2016 through 31 December 2016				Outstanding payments	Payment requests processed (number of transactions)
Sub-Loan/grant No. / WB approved date	Loan amount / Sub-Loan/Grant amount	Co-financing amount	Paid by State budget	Paid Sub-Loan/Grant amount Current period	Remaining balance of loan amount		
<b>EBIZNIS DOOEL Kocani</b>	09-389/1	29,750	5,250	-	13,798	15,952	4
Co-financed Grants for Newly Established Enterprises "Start-up" and "Spin-off"							
Remaining funds							
<b>Marjanovik Education</b>	09-380/1	30,000	5,295	-	11,078	18,922	4
Co-financed Grants for Newly Established Enterprises "Start-up" and "Spin-off"							
Remaining funds							
<b>PRAJM APPS DOO Skopje</b>	09-378/1	29,537	5,213	-	17,712	11,825	4
Co-financed Grants for Newly Established Enterprises "Start-up" and "Spin-off"							
Remaining funds							
<b>DTK Smart-tec</b>	09-382/1	26,219	4,627	-	6,185	20,034	4
Co-financed Grants for Newly Established Enterprises "Start-up" and "Spin-off"							
Remaining funds							
<b>IDEKS SISTEMI SKOPJE</b>	09-386/1	29,990	10,000	-	10,881	19,109	-
Co-financed Grants for Newly Established Enterprises "Start-up" and "Spin-off"							
Remaining funds							
<b>Clicon Technologies</b>	09-381/1	30,000	6,000	-	12,316	17,684	4
Co-financed Grants for Newly Established Enterprises "Start-up" and "Spin-off"							
Remaining funds							



Financial Statements  
 For the period from 01 January 2016 to 31 December 2016

Statement of breakdown of Loans and Grants (continued)

	Sub-Loan/grant No. / WB approved date	Sub-Loan/Grant amount		Paid by State budget	Paid Sub-Loan/Grant amount Current period	Cumulative amount	Remaining balance of loan amount	Outstanding payments	Payment requests processed (number of transactions)
		Loan amount	Co-financing amount						
<b>Marsi electrosystems DOOEL Ohrid</b> Co-financed Grants for Newly Established Enterprises "Start-up" and "Spin-off" Remaining funds	09-390/1	21,509	3,915	-	6,751	6,751	14,758	-	4
<b>STSS – Smart Traffic Safety Systems</b> <b>DOOEL</b> Co-financed Grants for Newly Established Enterprises "Start-up" and "Spin-off" Remaining funds	09-379/1	30,000	5,500	-	12,506	12,506	17,494	-	-
<b>Knowledge Center</b> Co-financed Grants for Newly Established Enterprises "Start-up" and "Spin-off" Remaining funds	09-377/1	29,373	5,184	-	13,421	13,421	15,952	-	-
<b>DPTU Has Inzenering LTD</b> Co-financed Grants for Newly Established Enterprises "Start-up" and "Spin-off" Remaining funds	09-384/1	25,000	5,000	-	9,920	9,920	15,080	-	-
<b>Esenso doo Skopje</b> Co-financed Grants for Newly Established Enterprises "Start-up" and "Spin-off" Remaining funds	09-385/1	29,750	-	-	-	-	29,750	-	-
<b>Choco Aviators</b> Co-financed Grants for Newly Established Enterprises "Start-up" and "Spin-off" Remaining funds	09-391/1	29,750	15,192	-	-	-	29,750	-	-

Cumulative for the period from 01 January 2016 through 31 December 2016  
 (Amounts in EUR)



Ministry of Education and Science of the Republic of Macedonia  
 "Skills Development and Innovation Support Project"  
 IBRD Loan number 8332-MK

Financial Statements  
 For the period from 01 January 2016 to 31 December 2016

Statement of breakdown of Loans and Grants (continued)

	Sub-Loan/grant No. / WB approved date	Cumulative for the period from 01 January 2016 through 31 December 2016				Outstanding payments	Payment requests processed (number of transactions)	
		Sub-Loan/Grant amount		Paid Sub-Loan/Grant amount Current period	Cumulative amount			Remaining balance of loan amount
		Loan amount	Co-financing amount					
<b>Vortechs Media DOO</b>	09-669/1	21,089	3,722	6,180	11,016	10,073	3	
Co-financed Grants for Newly Established Enterprises "Start-up" and "Spin-off"								
Remaining funds								
<b>Alimentos DOO</b>	09-676/1	29,428	19,962	5,863	15,164	14,264	3	
Co-financed Grants for Newly Established Enterprises "Start-up" and "Spin-off"								
Remaining funds								
<b>Gordian Systems DOO</b>	09-271/1	29,970	6,000	-	21,021	8,949	-	
Co-financed Grants for Newly Established Enterprises "Start-up" and "Spin-off"								
Remaining funds								
<b>Interaktiv Gejming</b>	09-670/1	30,000	6,000	6,250	5,543	24,457	-	
Co-financed Grants for Newly Established Enterprises "Start-up" and "Spin-off"								
Remaining funds								
<b>Ice technology Natasha DOOEL</b>	09-674/1	29,104	16,016	-	22,960	6,144	-	
Co-financed Grants for Newly Established Enterprises "Start-up" and "Spin-off"								
Remaining funds								
<b>Inovation DOOEL</b>	09-680/1	78,820	33,780	-	35,100	43,720	3	
Co-financed Grants and Conditional Loans for Commercialization of Innovations								
Remaining funds								



Financial Statements  
 For the period from 01 January 2016 to 31 December 2016

Statement of breakdown of Loans and Grants (continued)

Sub-Loan/grant No. / WB approved date	Sub-Loan/Grant amount / Co-financing amount	Paid by State budget	Paid Sub-Loan/Grant amount Current period	Cumulative amount	Remaining balance of loan amount	Outstanding payments	Payment requests processed (number of transactions)	(Amounts in EUR)	
								Cumulative for the period from 01 January 2016 through 31 December 2016	31 December 2016
09-683/1	99,761	45,630	-	17,802	81,959	-	2		
<b>Farma Blakva DOO</b>									
Co-financed Grants and Conditional Loans for Commercialization of Innovations									
Remaining funds									
<b>Sub-Total (Second call)</b>	<b>868,314</b>	<b>358,894</b>	<b>74,433</b>	<b>352,243</b>	<b>516,071</b>	<b>-</b>	<b>-</b>		
<b>Total</b>	<b>1,325,993</b>	<b>446,488</b>	<b>74,433</b>	<b>500,998</b>	<b>824,995</b>	<b>-</b>	<b>-</b>		

Financial Statements  
 For the period from 01 January 2016 to 31 December 2016

## Statement of Withdrawals – Designated Account

(Amounts in EUR)

For the period from 1 January 2016 to 31 December 2016

Application # and date	Total Requested	Total Disbursed	Difference
<b>Original Loan 8332-MK</b>			
#5 Application / 21.03.2016	383,977	383,977	-
#6 Application / 25.04.2016*	600,000	600,000	-
	<b>983,977</b>	<b>983,977</b>	-

(Amounts in EUR)

For the period from 7 February 2014 to 31 December 2015

Application # and date	Total Requested	Total Disbursed	Difference
<b>Original Loan 8332-MK</b>			
#1 Initial Application / 24.04.2014	1,000,000	1,000,000	-
#2 Application / 7.08.2015	312,489	312,489	-
#3 Application / 31.07.2015 *	400,000	400,000	-
#4 Application / 14.12.2015	251,295	251,295	-
<b>Total</b>	<b>1,963,784</b>	<b>1,963,784</b>	-

\* The funds from Application 6 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 2016 to 31 December 2016

## Statement of Designated Account – EUR

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

(Amounts in EUR)  
 For the period from 1 January 2016 to 31 December 2016

<b>At 1 January 2016</b>	<b>871,837</b>
<hr/>	
<b>Add: Inflows</b>	
Replenishment during the period	383,977
Interest received	-
	<hr/>
	<b>1,255,814</b>
<b>Deduct: Outflows</b>	
Transfer to treasury account (Mirror designated account) - MKD	(755,295)
Transfer to treasury account (Mirror designated account) - MKD for transfer to Petty Cash in EUR	(3,317)
	<hr/>
	<b>(758,612)</b>
<b>At 31 December 2016</b>	<b>497,202</b>

(Amounts in EUR)  
 For the period from 7 February 2014 to 31  
 December 2015

<b>At 7 February 2014</b>	<b>-</b>
<hr/>	
<b>Add: Inflows</b>	
Replenishment during the period	1,563,784
Interest received	-
	<hr/>
	<b>1,563,784</b>
<b>Deduct: Outflows</b>	
Transfer to treasury account (Mirror designated account) - MKD	(689,181)
Transfer to treasury account (Mirror designated account) - MKD for transfer to Petty Cash in EUR	(2,766)
	<hr/>
	<b>(691,947)</b>
<b>At 31 December 2015</b>	<b>871,837</b>

Financial Statements  
For the period from 01 January 2016 to 31 December 2016

## 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 Macedonia
Address	Complex of Banks, 1000 Skopje, Republic of Macedonia
Loan Number	8332-MK
Currency	EUR

(Amounts in EUR)  
For the period from 1 January 2016 to 31 December 2016

<b>At 1 January 2016</b>	<b>400,000</b>
<hr/>	
<b>Add: Inflows</b>	
Replenishment during the period	600,000
Interest received	-
	<b>1,000,000</b>
<b>Deduct: Outflows</b>	
Transfer to treasury account (Mirror designated account) - MKD	(500,999)
	<b>(500,999)</b>
<b>At 31 December 2016</b>	<b>499,001</b>

(Amounts in EUR)  
For the period from 7 February 2014 to 31 December 2015

<b>At 7 February 2014</b>	<b>-</b>
<hr/>	
<b>Add: Inflows</b>	
Replenishment during the period	400,000
Interest received	-
	<b>400,000</b>
<b>Deduct: Outflows</b>	
	<b>-</b>
<b>At 31 December 2015</b>	<b>400,000</b>



Financial Statements  
 For the period from 01 January 2016 to 31 December 2016

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

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

(Amounts in EUR)  
 For the period from 1 January 2016 to 31 December 2016

<b>At 1 January 2016</b>	<b>1,068</b>
<b>Add: Inflows</b>	
Transfer from designated account – EUR	755,295
Transferred funds from designated account – EUR for Petty cash in EUR	3,317
Foreign exchange gains	57
	<b>759,737</b>
<b>Deduct: Outflows</b>	
Amount of eligible expenses paid during the period	(747,546)
Transfer to Petty Cash in MKD	(1,614)
Transfer to Petty Cash in EUR	(3,317)
Foreign exchange losses	(15)
	<b>(752,492)</b>
<b>At 31 December 2016</b>	<b>7,245</b>

(Amounts in EUR)  
 For the period from 7 February 2014 to 31 December 2015

<b>At 7 February 2014</b>	<b>-</b>
<b>Add: Inflows</b>	
Transfer from designated account – EUR	689,181
Transferred funds from designated account – EUR for Petty cash in EUR	2,766
Foreign exchange gains	61
	<b>692,008</b>
<b>Deduct: Outflows</b>	
Amount of eligible expenses paid during the period	(686,789)
Transfer to Petty Cash in MKD	(1,296)
Transfer to Petty Cash in EUR	(2,766)
Foreign exchange losses	(89)
	<b>(690,940)</b>
<b>At 31 December 2015</b>	<b>1,068</b>

Financial Statements  
 For the period from 01 January 2016 to 31 December 2016

## 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 Macedonia
Address	Complex of Banks, 1000 Skopje, Republic of Macedonia
Loan Number	8332-MK
Currency	Macedonian Denars ("MKD")

(Amounts in EUR)  
 For the period from 1 January 2016 to 31 December 2016

**At 1 January 2016** -

**Add: Inflows**

Transfer from designated account – EUR	500,999
Transferred funds from designated account – EUR for Petty cash in EUR	-
Foreign exchange gains	32
	<b>501,031</b>

**Deduct: Outflows**

Amount of eligible expenses paid during the period	(500,998)
Transfer to Petty Cash in MKD	-
Transfer to Petty Cash in EUR	-
Foreign exchange losses	-
	<b>(500,998)</b>

**At 31 December 2016** **33**

(Amounts in EUR)  
 For the period from 7 February 2014 to 31 December 2015

**At 7 February 2014** -

**Add: Inflows**

Transfer from designated account – EUR	-
Transferred funds from designated account – EUR for Petty cash in EUR	-
Foreign exchange gains	-

**Deduct: Outflows**

Amount of eligible expenses paid during the period	-
Transfer to Petty Cash in MKD	-
Transfer to Petty Cash in EUR	-
Foreign exchange losses	-

**At 31 December 2015** -

Financial Statements  
For the period from 01 January 2016 to 31 December 2016

## Statement of Petty Cash in MKD

Loan Number 8332-MK  
Currency Macedonian Denars ("MKD")

(Amounts in EUR)  
For the period from 1 January 2016 to 31 December 2016

<b>At 1 January 2016</b>	<b>191</b>
<b>Add: Inflows</b>	
Transfer from Mirror Designated Account – MKD	1,614
Forex gains	-
	<b>1,614</b>
<b>Deduct: Outflows</b>	
Amount of eligible expenses paid during the period	(1,675)
	<b>(1,675)</b>
<b>At 31 December 2016</b>	<b>130</b>

(Amounts in EUR)  
For the period from 7 February 2014 to 31 December 2015

<b>At 7 February 2014</b>	<b>-</b>
<b>Add: Inflows</b>	
Transfer from Mirror Designated Account – MKD	1,296
	<b>1,296</b>
<b>Deduct: Outflows</b>	
Amount of eligible expenses paid during the period	(1,105)
	<b>(1,105)</b>
<b>At 31 December 2015</b>	<b>191</b>

Financial Statements  
For the period from 01 January 2016 to 31 December 2016

## Statement of Petty Cash in EUR

Loan Number 8332-MK  
Currency EUR

(Amounts in EUR)  
For the period from 1 January 2016 to 31 December 2016

<b>At 1 January 2016</b>	<b>7</b>
<b>Add: Inflows</b>	
Transfer from Mirror Designated Account – EUR	3,317
	<b>3,317</b>
<b>Deduct: Outflows</b>	
Amount of eligible expenses paid during the period	(3,324)
	<b>(3,324)</b>
<b>At 31 December 2016</b>	<b>-</b>

(Amounts in EUR)  
For the period from 7 February 2014 to 31 December 2015

<b>At 7 February 2014</b>	<b>-</b>
<b>Add: Inflows</b>	
Transfer from Mirror Designated Account – EUR	2,766
	<b>2,766</b>
<b>Deduct: Outflows</b>	
Amount of eligible expenses paid during the period	(2,759)
	<b>(2,759)</b>
<b>At 31 December 2015</b>	<b>7</b>

## Notes to Project’s financial statements

### 1 General

On 7 February 2014, the Ministry of Education and Science of the Republic of 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	
<b>Total</b>	<b>17,700,000</b>	

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 1<sup>st</sup> February and 1<sup>st</sup> 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 31 May 2019. The effectiveness Deadline is the date ninety days after the date of this Agreement.

## **2 Project Objectives, Activities and Institutional Arrangements**

### **Project Objectives and Activities**

The proposed Project would support the Government of 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 FYR 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 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 finding 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. The proposed NTTO, while performing typical tasks such as industry outreach, would additionally be a center for advising the industry in FYR Macedonia on Intellectual Property (IP) in-licensing and technology importation and integrating the innovation activities of

**Project Objectives, Activities and Institutional Arrangements (continued)**

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; (iii) efficiency assessment of the secondary TVET school network and development of a proposal for restructuring the network; (iv) 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 (v) 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 FYR 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 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 2016 through 31 December 2016.

#### **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 Macedonia for international payment operations of the government bodies of Republic of Macedonia prevailing at the date of the transaction.