

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

Government of Republic of North Macedonia/General  
Secretariat

"Contingent Emergency Response Component (CERC)  
under the Local Roads Connectivity Project"  
International Bank for Reconstruction and Development  
Loan number 90340-MK - CERC component

For the period from 01 May 2020 to 31 December 2020

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## Management Responsibility


The accompanying financial statements comprising the Statement of Cash Receipts and Payments, Balance sheet, Statement of Uses of Funds by Project Activity, Statement of Withdrawals, Designated Accounts' Statements and related disclosure Notes (further referred as to "Project's Financial Statements"), of the Government of Republic of North Macedonia/General Secretariat (further referred to as "the Government"), "Contingent Emergency Response Component" ("the Project"), under the Local Roads Connectivity Project ("LRCP"), financed under International Bank for Reconstruction and Development ("IBRD") Loan number 90340-MK – CERC component as at and for the period from 01 May 2020 to 31 December 2020 included on pages 4 to 12, are the responsibility of, and have been approved by the Project's management.

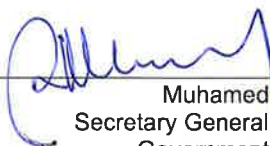
The accompanying Project's financial statements have been prepared by the Project's management, for the purposes of reporting to the Government and the IBRD in conformity with the related requirements of the World Bank's financial reporting guidelines and in compliance with the relevant provisions set out in the Loan Agreement numbered 90340 dated 23 December 2019.

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

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

29 December 2021

  
\_\_\_\_\_  
Elena Pagovska Peltekovski  
Project Coordinator

  
\_\_\_\_\_  
Muhamed Zeqiri  
Secretary General of the  
Government of the  
Republic of North Macedonia

<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.

## Independent Auditor's Report

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To the Management of the Project

We have audited the accompanying financial statements of the Government of the Republic of North Macedonia/General Secretariat ("the Government"), "Contingent Emergency Response Component" ("the Project"), under the Local Roads Connectivity Project ("LRCP"), financed under International Bank for Reconstruction and Development ("IBRD" or "Donor") Loan number 90340-MK – CERC component, comprising the Statement of Cash Receipts and Payments, Balance sheet, Statement of Uses of Funds by Project Activity, Statement of Withdrawals, Designated Accounts' Statements and related disclosure Notes ("the Project's Financial Statements") as at and for the period from 01 May 2020 to 31 December 2020 included on pages 4 to 12.

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

These Project's financial statements are prepared for the purposes of reporting to the Government and the IBRD, 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 90340-MK dated 23 December 2019. 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 the auditing standards accepted in the Republic of North Macedonia<sup>1</sup>. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the 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. 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 Project's financial statements of "Contingent Emergency Response Component", under the Local Roads Connectivity Project, financed under International Bank for Reconstruction and Development, Loan number 90340-MK – CERC component, present fairly, in all material respects, the Project's financial position as at 31 December 2020, and the movement on the Cash Receipts and Payments, Statement of Uses of Funds by Project Activity, Statement of Withdrawals and Designated Accounts' Statements as at and for the period from 01 May 2020 to 31 December 2020, in conformity with the accounting policies described in Note 3 to the Project's financial statements.

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

*Emphasis of matter – Basis of accounting and restrictions on distribution and use*

We draw attention to Note 3 to the Project's financial statements, which describes the basis of the accounting. The Project's financial statements are prepared for the purposes of reporting to IBRD, on the activities of the Project, related to the funds received for the completion of the Project's objectives, in accordance with the respective provisions set out in the Loan Agreement Loan number 90340 signed between the IBRD and the Republic of North Macedonia and may not be suitable for other purposes. Our report is intended solely for use by the Project's management, the Government of the Republic of North Macedonia and IBRD. Our opinion is not modified in respect of this matter.

*Other matters*

According to the request from the Donor and the Government, an annex to the Contract for Consultants' Services was signed for extending the Contract for Consultants' Services until 31 December 2021, in order to perform additional audit procedures for the payments of the financial support based on the additionally submitted supporting documentation by the Government. As a result of this, we have issued this Auditor's Report.

  
Suzana Stavrikj  
Director  
Grant Thornton DOO, Skopje  
Skopje, 30 December 2021  
  
Suzana Stavrikj  
Certified auditor


## Statement of Cash Receipts and Payments

(Amounts in EUR)  
For the period from 01 May 2020 to 31 December 2020

	Actual	Budget	Variance
<b>Sources of Funds</b>			
World Bank	46,983,042	-	46,983,042
Front-end Fee	175,000	-	175,000
<b>Total sources of funds</b>	<b>47,158,042</b>	<b>-</b>	<b>47,158,042</b>
<b>Uses of funds</b>			
Capacity Enhancement	-	2,877,500	(2,877,500)
Rehabilitation and Maintenance	-	28,122,500	(28,122,500)
Project implementation support	-	1,825,000	(1,825,000)
Contingent Emergency Response Component (CERC)	36,905,161	37,000,000	(94,839)
Front-end Fee	175,000	175,000	-
<b>Total uses of funds</b>	<b>37,080,161</b>	<b>70,000,000</b>	<b>(32,919,839)</b>
<b>Net increase/ (Decrease) in cash flow</b>	<b>10,077,881</b>	<b>-</b>	<b>-</b>
Bank balances, at beginning of the period	-	-	-
<b>Bank balances, at end of the period</b>	<b>10,077,881</b>	<b>-</b>	<b>-</b>

The Project's Financial Statements have been approved by the Government of the Republic of North Macedonia on **29 December 2021** and signed on its behalf by:

  
Elena Pagovska Peltekovski  
Project Coordinator

  
Muhamed Zeqiri  
Secretary General of the  
Government of the  
Republic of North Macedonia

## Balance sheet

In EUR	31 December 2020
<b>Assets</b>	
Bank balances	10,077,881
<b>Total assets</b>	<b>10,077,881</b>
<b>Funds and liabilities</b>	
Unspent funds	10,077,881
<b>Total Funds and liabilities</b>	<b>10,077,881</b>

## Statement of Uses of Funds by Project Activity

(Amounts in EUR)

	For the period from 01 May 2020 to 31 December 2020			Cumulative to date		
	Actual	Budget	Variance	Actual	Budget	Variance
<b>Component 1: Capacity Enhancement</b>	-	2,877,500	(2,877,500)	-	2,877,500	(2,877,500)
<b>Component 2: Rehabilitation and Maintenance</b>	-	28,122,500	(28,122,500)	-	28,122,500	(28,122,500)
<b>Component 3: Project implementation support</b>	-	1,825,000	(1,825,000)	-	1,825,000	(1,825,000)
<b>Component 4: Contingent Emergency Response Component (CERC)</b>	<b>36,905,161</b>	<b>37,000,000</b>	<b>(94,839)</b>	<b>36,905,161</b>	<b>37,000,000</b>	<b>(94,839)</b>
Financial support for salary subsidies	35,860,209	35,860,209	-	35,860,209	35,860,209	-
Financial support for contribution subsidies	1,022,833	1,022,833	-	1,022,833	1,022,833	-
Audit	-	94,839	(94,839)	-	94,839	(94,839)
Purchasing of data	22,119	22,119	-	22,119	22,119	-
<i>Payments without contract</i>	-	-	-	-	-	-
<b>Front-end Fee</b>	175,000	175,000	-	175,000	175,000	-
<b>Contingencies</b>	-	-	-	-	-	-
<b>Total Project Expenditures</b>	<b>37,080,161</b>	<b>70,000,000</b>	<b>(32,919,839)</b>	<b>37,080,161</b>	<b>70,000,000</b>	<b>(32,919,839)</b>



## Statement of Withdrawals – Designated Accounts A and B

(Amounts in EUR)

For the period from 01 May 2020 to 31 December 2020

Application number	Advance Payment	Reimbursement	Currency	Goods, works, non-consulting services, consulting services, Training and Operating Costs for the Project	Total claimed in currency	Total received in currency	Total received in EUR	Date of application
1	100,000	-	EUR	-	100,000	100,000	100,000	10.06.2020
2	-	936,714,820	MKD	-	936,714,820	936,714,820	15,259,297	17.06.2020
3	-	32,698,252	MKD	-	32,698,252	32,698,252	532,662	10.07.2020
4-F	-	29,311,230	MKD	-	29,311,230	29,311,230	477,487	05.08.2020
5-F	-	943,902,530	MKD	-	943,902,530	406,744,341	6,625,958	11.09.2020
6	-	33,476,819	MKD	-	33,476,819	33,476,819	545,346	13.08.2020
7	-	825,164,516	MKD	-	825,164,516	825,164,516	13,442,292	21.09.2020
1 DA-A	10,000,000	-	EUR	-	10,000,000	10,000,000	10,000,000	04.12.2020
<b>Total</b>	<b>10,100,000</b>	<b>2,801,268,167</b>					<b>46,983,042</b>	

# Statement of Designated Account A – EUR-MOTC

Account number  
Depository Bank

MK07100701000179329  
National Bank of the Republic of North Macedonia  
Complex of Banks, 1000 Skopje, Republic of North  
Macedonia  
90340  
EUR

Address  
Loan Number  
Currency

(Amounts in EUR)  
For the period from 01 May 2020 to  
31 December 2020

<b>At 01 May 2020</b>	-
<b>Add: Inflows</b>	
Replenishment during the period*	10,000,000
	<b>10,000,000</b>
<b>Deduct: Outflows</b>	
Outflows	-
	-
<b>At 31 December 2020</b>	<b>10,000,000</b>

\* The amount of 10,000,000 Eur refers to advance received from IBRD for implementing the LRCP Project.

# Statement of Designated Account B – EUR-Government

Account number	MK07100701000179620
Depository Bank	National Bank of the Republic of North Macedonia Complex of Banks, 1000 Skopje, Republic of North Macedonia
Address	
Loan Number	90340
Currency	EUR

(Amounts in EUR)  
For the period from 01 May 2020 to  
31 December 2020

**At 01 May 2020**

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**Add: Inflows**

Replenishment during the period	100,000
	<b>100,000</b>

**Deduct: Outflows**

Transfer to treasury account (Mirror designated account) – MKD	(22,109)
Bank fee	(10)
	<b>(22,119)</b>

**At 31 December 2020**

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**77,881**

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

Account number	100000000063095
Depository Institution	National Bank of the Republic of North Macedonia
Loan Number	90340
Currency	Macedonian Denars ("MKD")

(Amounts in EUR)  
For the period from 01 May 2020 to  
31 December 2020

<b>At 01 May 2020</b>	-
<hr/>	
<b>Add: Inflows</b>	
Replenishment during the period	36,883,042
Transfer from designated account – EUR	22,119
	<hr/>
	<b>36,905,161</b>
<b>Deduct: Outflows</b>	
Amount of eligible expenses paid during the period	(36,905,161)
	<hr/>
	<b>(36,905,161)</b>
<b>At 31 December 2020</b>	-

# Notes to the Project's financial statements

## 1 General

On 23 December 2019 the Government of the Republic of North Macedonia and the International Bank for Reconstruction and Development, the World Bank, have signed Loan Agreement for financing the Local Roads Connectivity Project P170267 (Loan Agreement No.09034-MK). For the purpose of implementation they have assigned the Ministry of Transport and Communications as an Implementing Agency. The Bank agreed to lend the Government amount equal to 70,000,000 EUR to assist in financing the Project. Included in the Loan Agreement is Component 4: Contingent Emergency Response which can be activated upon request.

On 08 May 2020, the Bank has approved the activation of Contingent Emergency Response Component (further referred to as "CERC") of the Project in the amount of 50,000,000 EUR to finance emergency responses activities related to the COVID-19 emergency in the Republic of North Macedonia. Initial available funds amounts to 37,000,000 EUR. For purpose of implementation of this component they have assigned General Secretariat of the Government of the Republic of North Macedonia.

## 2 CERC Objectives and Implementation Arrangements

### CERC Objectives

CERC Project is designed to assist implementation of income support scheme established by the Government of North Macedonia as part of its COVID 19 crisis response program and the modalities of funding of the scheme by the World Bank under the Contingency Emergency Response Component (CERC) of the Local Roads Connectivity Project.

The income support scheme is institutionalized under the Government's Decrees on the Financial Support of Private Sector Employers Affected by the Health and Economic Crisis caused by the COVID 19 Virus that establishes an income support scheme for the months of April, May and June 2020 (further referred to as "the Decrees"). The fundamental objective of the scheme is to enable employers to keep employees on their payroll during the crisis, so that they can restart their operations quickly and efficiently following the crisis.

### Project Description

The COVID-19 pandemic presents Governments all over the world with unprecedented challenges. Current circumstances require a highly adaptive responsive management design to avoid, minimize and manage what may be a rapidly evolving situation. This is why, all parties involved in project implementation had to use reasonable efforts, recognizing that what may be possible today may be different next week (both positively, because more supplies and guidance may be available, and negatively, because the spread of the virus may have accelerated).

In order to mitigate the crisis and prevent further spreading of the disease many countries, including the Republic of North Macedonia (RNM), were forced to issue lockdown measures for non-vital enterprises and (economic) activities. Full or partial lockdown measures are now affecting almost 2.7 billion workers globally, representing around 81 per cent of the world's workforce. In the current situation, businesses across a range of economic sectors are facing catastrophic losses, which threaten their operations and solvency, especially among smaller enterprises, while millions of workers are vulnerable to income loss and layoffs. The majority of job losses and declining working hours occurred in hardest-hit sectors. Key sectors included retail trade, accommodation and food services, and manufacturing. Without appropriate policy measures, workers face a high risk of falling into poverty and would experience greater challenges in regaining their livelihoods during the recovery period.

In such circumstances, the Local Road Modernization Project (LRCP) financed by the IBRD activated the Contingency Emergency Response Component redirecting a total of 50 million Euros for emergency fiscal response (the CERC) to support The Financial Support of Private Sector Employers Affected by the Health and Economic Crisis Caused by the Covid-19 virus, for the payment of salaries for months of April, May and June 2020 implemented by the Government of RNM.

Notes to the Project's financial statements (continued)  
CERC Objectives and Implementation Arrangements (continued)

The CERC financed the subsidy of wages in the means of grant funds assigned to any eligible companies that have been forced to close their physical point of sale or that have experienced a reduction in revenues but were not ordered to close. The eligibility of companies applying for the grant funds was determined through a multi-criteria screening process upon receiving the respective applications.

The World Bank CERC financing is applicable for micro, small, and medium enterprises (MSMEs) that meet the Government criteria published in Government's Decree on the Financial Support of Private Sector Employers Affected by the Health and Economic Crisis caused by the COVID 19 Virus dated 10 June 2020 and 05 May 2020 and additional viability criteria (operate profitably in the last two years, did not have non-performing loans of 90 days or more on February 20, 2020 and do not owe taxes of more than EUR 5,000), comply with environmental and social standards, and have less than 250 employees (MSMEs).

#### **Implementation Arrangements**

In the event of public health emergency due to Covid 19 pandemic and desire to extend support to enterprises affected by the pandemic, the implementation of CERC was carried out by the General Secretariat of the Government (GS). The team from the GS was led by the Head of the Finance Department and comprised of GS civil servants who were responsible for the implementation of Covid-19 response measures financed under the national funds, and were supported by outsourcing fiduciary and other necessary services provided by consultants currently working in project implementation agencies responsible for different World Bank financed projects. Two teams from the project implementation units (PIU) of the existing World Bank projects were created:

- a. First team for Financial management which comprised of 2 persons including one from Municipal Service Improvement Project - MSIP PIU (Ministry of Finance) and one from Local Roads Connectivity Project LRCP PIU (Ministry of Transport and Communication). This team was coordinated by the MSIP PIU;
- b. Second team for Social and Environmental safeguards was also comprised of 2 persons including one from MSIP PIU (Ministry of Finance) and one from Road Upgrading and Development Project - RUDP PIU (Public Enterprise for State Roads). This team was coordinated by the MSIP PIU.

The team from the GS civil servants and two teams composed of the PIU local staff were organized in one unit named Project Emergency Compliance Unit (PECU). The PECU was the lead agency within the Government of the Republic of North Macedonia responsible for the implementation of the emergency activities, including all aspects related to procurement, financial management, monitoring & evaluation and safeguard compliance.

### **3 Accounting policies**

Following are the principle accounting policies adopted in preparation of these Project's financial statements.

These accounting policies are consistently applied to all financial periods presented.

#### **Basis of preparation**

The Project's financial statements have been prepared for the purposes of reporting to IBRD, on the activities of the Project related to the funds received for the completion of the Project's objectives, in accordance with the respective provisions set out in the Loan Agreement Loan number 90340 signed between the IBRD and 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 Loan number 90340 dated 23 December 2019.

The financial statements have been prepared for the period from 01 May 2020 to 31 December 2020.

The accounting policies have been applied consistently throughout the period.

#### **Reporting Currency**

The Project's Financial Statements are prepared in EURO ("EUR") as this is the reporting currency of the Project.

Transactions denominated in currencies other than EURO are translated using the buying foreign exchange rate the National Bank of Republic North Macedonia at the date of transaction.