

**MINISTRY OF TRANSPORT AND COMMUNICATIONS
PROJECT IMPLEMENTATION UNIT**

**Independent Auditors report,
Project Financial Statements
for the period ending 31 December 2021
and Management Letter for**

**WESTERN BALKANS TRADE AND TRANSPORT FACILITATION
PROJECT
(LOAN NUMBER 8929 MK)**

Skopje, July 2022

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**INDEPENDENT AUDITOR'S REPORT
TO THE
MINISTRY OF TRANSPORT AND COMMUNICATIONS
PROJECT IMPLEMENTATION UNIT (IBRD LOAN 8929 MK)**

We have audited the accompanying Project Financial Statements of the Wester Balkans Trade and Transport Facilitation Project ("the Project"), financed under IBRD Loan 8929 MK, for the year ended 31 December 2021 and prepared by the Ministry of Transport and Communications, Project Implementation Unit ("furthermore the Ministry of Transport and Communications-Project Implementation Unit"). The Project Financial Statements which comprise Statement of Sources and Uses of Funds, Statement of Uses of Funds by Project Activity, Statement of Expenditure Withdrawals and Statement of Designated Account are prepared in accordance with the International Bank for Reconstruction and Development (IBRD) Guidelines.

Management's Responsibility for the Project Financial Statements

The Ministry of Transport and Communications, Project Implementation Unit management is responsible for the preparation and fair presentation of these Project Financial Statements. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the International Standards on Auditing accepted in the Republic of North Macedonia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance 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 entity'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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the 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.

**INDEPENDENT AUDITOR'S REPORT (Continued)
TO THE
MINISTRY OF TRANSPORT AND COMMUNICATIONS
PROJECT IMPLEMENTATION UNIT (IBRD LOAN 8929 MK)**

Opinion

In our opinion, the project financial statements for the year ended 31 December 2021, prepared by the Ministry of Transport and Communications - Project Implementation Unit, give true and fair view of sources and uses of funds of the Project, in accordance with the IBRD Guidelines, which are financed under IBRD Loan 8929 MK.

In our opinion, the project financial statements as at 31 December 2021, prepared by the Ministry of Transport and Communications - Project Implementation Unit, give true and fair view of the financial position of the Designated Account, in accordance with the IBRD Guidelines, which are financed under IBRD Loan 8929 MK.

In addition, with respect to SOEs, adequate supporting documentation has been maintained to support claims to the World Bank for reimbursements of expenditures incurred, and which expenditures are eligible for financing under IBRD Loan 8929 MK.

Skopje, 19 July 2022

Certified Auditor

Kostadinka Kitanoska



Manager and Certified Auditor

Antonio Veljanov



**MINISTRY OF TRANSPORT AND COMMUNICATIONS
PROJECT IMPLEMENTATION UNIT
WESTERN BALKANS TRADE AND TRANSPORT FACILITATION PROJECT**

STATEMENT OF SOURCES AND USES OF FUNDS

IBRD Loan Number 8929

During the Years Ended 2021 and 2020

and Accumulated up to 31 December 2021

Note	During the Year Ended 31 December		Accumulated up to 31 December
	2021	2020	2021
SOURCES OF FUNDS			
IBRD Loan Number 8929			
Initial advance to Designated Account (DA)	-	1,000,000	1,000,000
Replenishments on the DA	-	-	-
IBRD front-end commission	-	65,500	65,500
Total IBRD Loan Number 8929	-	1,065,500	1,065,500
 TOTAL FUNDS RECEIVED	 -	 1,065,500	 1,065,500
USES OF FUNDS			
Financed from IBRD Loan Number 8929			
Good, works, non-consulting services, consulting services, Operating Costs and Training for the Project	105,223	140,879	246,102
IBRD front-end commission	-	65,500	65,500
Total Financed from IBRD Loan Number 8929	105,223	206,379	311,602
 TOTAL PROJECT EXPENDITURES	 105,223	 206,379	 311,602
 Net increase (decrease) in cash flow	 (105,223)	 859,121	 753,898
Cash at Beginning of the Period	859,121	-	-
Cash at End of the Period	753,898	859,121	753,898

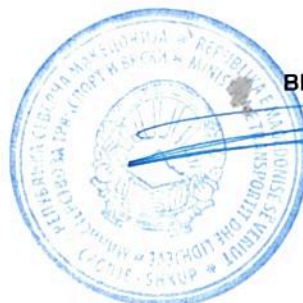
Project Director

Harita Pandovska



Minister,

Blagoj Bochvarski



*Notes comprise an integral part to the Project Financial Statements
Auditors' report is on pages 1 and 2.*

MINISTRY OF TRANSPORT AND COMMUNICATIONS
PROJECT IMPLEMENTATION UNIT
WESTERN BALKANS TRADE AND TRANSPORT FACILITATION PROJECT

STATEMENT OF USES OF FUNDS BY PROJECT ACTIVITY

IBRD Loan Number 8929

During the Years Ended 2021 and 2020

and Accumulated up to 31 December 2021

(Expressed in EUR)

	During the Year Ended 31 December		Accumulated up to 31 December
	2021	2020	2021
A. Financed from IBRD Loan Number 8929			
I. Part 1: Facilitating movement of goods across the Western Balkans			
Total	-	-	-
II. Part 2: Enhancing transport efficiency and predictability			
Total	-	-	-
III. Part 3: Enhancing Market access for Trade and Investments			
Total	-	-	-
IV. Part 4: Project implementation Support			
Support project implementation units (PIU)	54,479	123,680	178,159
Consulting services	13,571	9,461	23,032
Office equipment	29,852	5,225	35,078
Other operating costs	7,321	2,512	9,833
Total	105,223	140,879	246,102
V. IBRD fee			
IBRD front-end Commission	-	65,500	65,500
Total	-	65,500	65,500
Total Project Expenditures	105,223	206,379	311,602

MINISTRY OF TRANSPORT AND COMMUNICATIONS
PROJECT IMPLEMENTATION UNIT
WESTERN BALKANS TRADE AND TRANSPORT FACILITATION PROJECT

STATEMENT OF EXPENDITURE (SOE)
WITHDRAWALS
IBRD Loan Number 8929
Year Ended 31 December 2021
(Expressed in EUR)

Application #	Year Ended 31 December 2021					
	Disbursement Categories					
	Note	Replenishments on the DA	Initial Advance on DA	Total	Disbursed	Difference
		-	-	-	-	-
Total:	-	-	-	-	-	

*Notes comprise an integral part to the Project Financial Statements.
Auditors' report is on pages 1 and 2.*

**MINISTRY OF TRANSPORT AND COMMUNICATIONS
PROJECT IMPLEMENTATION UNIT
WESTERN BALKANS TRADE AND TRANSPORT FACILITATION PROJECT**

STATEMENT OF DESIGNATED ACCOUNT

IBRD Loan Number 8929

During the Years Ended 2021 and 2020 and Accumulated up to 31 December 2021

(Expressed in EUR)

For the year ended 31.December 2021
Account number 00-701-0001776.6
Depository Bank National Bank of the Republic of North Macedonia
Address Bul. "Kuzman Josifovski Pitu" br.1
Credit Number 8929
Currency EUR

	<u>2021</u>	<u>2020</u>	<u>Cumulative</u>
Opening Balance as at 1 January	859,121	-	
Additions:			
Initial advance to Designated Account	0	1,000,000	1,000,000
IBRD Replenishments	0	0	0
IBRD front-end commission	0	0	0
Total additions	0	1,000,000	1,000,000
Deductions:			
Project Expenditure Payments	(105,223)	(140,879)	(246,102)
Total deductions	(105,223)	(140,879)	(246,102)
Closing Balance as at 31 December	<u>753,898</u>	<u>859,121</u>	<u>753,898</u>

*Notes comprise an integral part to the Project Financial Statements.
Auditors' report is on pages 1 and 2.*

MINISTRY OF TRANSPORT AND COMMUNICATIONS
PROJECT IMPLEMENTATION UNIT
WESTERN BALKANS TRADE AND TRANSPORT FACILITATION PROJECT
NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

On June 6, 2019, the Ministry of Finance of the Republic of North Macedonia ("the Borrower") entered into the Loan Agreement with the International Bank For Reconstruction and Development ("IBRD") for the amount of EUR 26,2 million. The Borrower shall carry out the Project through Ministry of Transport and Communication in accordance with the provisions of Article V of the General Conditions and Schedule 2 to the Agreement. The Borrower, through the Ministry of Transport and Communication, has established a Project Implementation Unit ("PIU") under terms, conditions, composition, functions, and resources satisfactory to the Bank.

According to the Section I. of Project Execution of the Loan Agreement, the Borrower shall, through Ministry of Transport and Communications, maintain at all time during Project implementation, a Project Implementation Unit ("PIU") within composition, resources, terms of reference and functions acceptable to the Bank.

Without limitation upon the provisions of Article II of the General conditions and in accordance with the Disbursement and Financial Information Letter, the Borrower may withdraw the proceeds of the Loan finance Eligible Expenditures as set forth in the table below.

The table below sets forth the categories of Eligible Expenditures that may be financed out of the proceeds of the Loan, the allocation of the amounts of the Loan to each category and the percentage of expenditures to be financed for Eligible Expenditures in each Category:

Category	Amount of the Loan Allocated	Percentage of Expenditures to be financed (Exclusive of taxes)
(1) Goods, Works, Non-consulting services, Consultants services, Operating Costs and Training for the project	26,134,500	100%
(2) Front-end Fee	65,500	
Total Amount	26,200,000	

The Borrower may withdraw the proceeds of the Loan in accordance with Section III of Schedule 2 of the Loan Agreement.
The Closing Date for withdrawals is December 15, 2025.

The Borrower shall pay front-end Fee equal to one quarter of one percent (0.25%) of the Loan amount. The commitment charge is one quarter of one percent (0.255) per annum on the Unwithdrawn Loan balance. Interest and other charges shall be payable semiannually on May 1 and November 1 in each year.

According with Schedule 2 of the Agreement, the Borrower shall repay the principal amount of the credit in semi-annually installments payable each May 1 and November 1, commencing May 1, 2023 and ending November 1, 2030. The installment share is 6.25%.

2. OBJECTIVES AND NATURE OF THE PROJECT

2.1. Project Objectives

The objectives of the Project is to reduce trade costs and increase transport efficiency in the Borrower.

The Project consists of the following parts:

Part I: Facilitating movement of goods across the Western Balkans

Part II: Enhancing transport efficiency and predictability

Part III: Enhancing Market Access for Trade and Investments

Part IV: Project implementation Support

The objectives of Part I are:

- Provision of support to design, develop and implement a National Single Window solution and the associated reform and modernization of customs and other border management agency requirement to improve inter agency coordination and reduce the time taken to clear goods.
- Provision of support to improve physical capacity and working conditions at the key border crossings of Kjafovan, as well as Deve Bair by, among other improvements aiming at facilitating the flow of goods across the borders: (a) carrying out refurbishments and upgrades to existing facilities (including but not limited to buildings, information system exchange between border facilities, customs facilities, exit and entry lanes, and expansion of parking facilities); (b) installation of weigh bridges for trucks and weigh scale for border crossing points; (c) establishing a single operational one-stop shop when technically possible; (d) facilitating the preparation of bilateral agreements to facilitate inspection at the borders and trade from one country to another, the procedures at the border crossing, if necessary; and (e) the updating of the electronic and system infrastructure for freight clearance.

The objectives of Part II are:

- Provision of support to develop intelligent transport system (ITS) on part of Corridor X through the purchase and installation of the following equipment such as: (a) a system for collecting data on traffic flow from inductive loops that are positioned into the carriageway; (b) Weight In Motion (WIM); (c) elements to control the height of vehicles that access highway; (d) a system to collect data on weather conditions along the route of the highway; and (e) a system to detect the transport of dangerous goods.
- Provision of technical assistance to support the preparation of ITS legislation in line with the pertinent European Union (EU) Directives.

The objectives of Part III are:

- Provision of support through technical assistance for the implementation of regulatory and institutional reforms to align with the Borrower's specific commitments under: (a) Central European Free Trade Agreement (CEFTA) Additional Protocols 5 and 6; and (b) the Multi-annual Action Plan on a Regional Economic Area in the Western Balkans.

2. OBJECTIVES AND NATURE OF THE PROJECT (Continued)

2.1. Project Objectives (Continued)

The objectives of Part IV are:

- Provision of support to the Project Implementation Unit (PIU) including procurement, financial management, monitoring, and evaluation, audits, safeguards and technical oversight, and policy coordination.
- Provisions of support to carry out public and multi-stakeholder consultations and surveys (including women traders); grievance redress mechanism; corridor performance tool; and user satisfaction.

2.2. Project Management

The overall responsibility for carrying out the Project is assigned to the Ministry of Transport and Communications, Project Implementation Unit.

2.3. Project Execution

The Project Implementation Unit ("PIU") shall be responsible for the procurement, financial management, disbursement, monitoring and evaluation and safeguards compliance under the Project. The Borrower, through Ministry of Transport and Communication - Project Implementation Unit, adopt the Project Operations Manual ("POM") and thereafter implement the Project in accordance with the POM, in form and substance satisfactory to the Bank, that sets out the operational and administrative procedures and requirements for Project implementation.

3. BASIS FOR PREPARATION OF THE PROJECT FINANCIAL STATEMENTS

3.1. General

The accompanying financial statements have been prepared for the purposes of reporting to the World Bank on the activities of the Project related to funding received for the completion of the Project's objectives in accordance with the respective Loan Agreement. These financial statements include all project-related expenditures incurred, which are financed by the IBRD Loan 8929 MK.

a. Accounting Convention

The Project Financial Statements have been prepared, in all material respects, in accordance with World Bank Guidelines. Such Guidelines generally comply with International Financial Reporting Standards with the exception that Project expenditures are accounted for on a cash basis. Certain accounts which are required to be maintained under Macedonian accounting regulations have been adjusted or reclassified and, in some cases, combined in order to comply with World Bank Guidelines.

3. BASIS FOR PREPARATION OF THE PROJECT FINANCIAL STATEMENTS (Continued)

b. Comparative figures

The Financial statements have been prepared for the year ended 31 December 2021 and 2020 and accumulated up to 31 December 2021. Comparative figures are presented.

3.2. Reporting Currency

The Project accounts comprising the part financed by IBRD Loan are kept in local currency i.e. in Macedonian Denars and in Euros. The Project Financial Statements are prepared in EUR as this is the reporting currency of the Project.

The Project Financial Statements are translated from Macedonian Denars into Euros as it follows:

- The amounts shown in Macedonian Denars (MKD) are calculated by the exchange rate of the National Bank of the Republic of North Macedonia for the currency of payment, on the date of transfer from EUR account to Denar account. This exchange rate during 2021 is between 61.1841 MKD/EUR and 61.3865 MKD/EUR (2020: 61.1841 MKD/EUR).
- The amounts shown in MKD as at 31 December 2021 are calculated by the exchange rate of the National Bank of the Republic of North Macedonia on date of transfer from EUR account to Denar account, and it's 61.1841 MKD/EUR, (2020: 61.1841 MKD/EUR).

MANAGEMENT LETTER**TO THE
MINISTRY OF TRANSPORT AND COMMUNICATIONS
PROJECT IMPLEMENTATION UNIT (IBRD LOAN 8929 MK)**

According to your request, we have audited the 2021 Project Financial statements of the Western Balkans Trade and Transport Facilitation Project financed under IBRD Loan 8929 MK and implemented by the Ministry of Transport and Communications, Project Implementation Unit. We have carried out our audit in accordance with the accepted professional auditing practice in the Republic of North Macedonia, which is in accordance with the International Auditing Standards issued by the International Federation of Accountants (IFAC) and with the IBRD Guidelines, in order to issue an opinion on the Project financial statements.

We have carried out sufficient testing in order to shape the opinion about the financial statements, thus obtaining assurance that the information contained in the submitted accounting records and in the other sources of information, are correct and represent sound basis for the financial statements. We have also checked whether the information has been correctly presented in the financial statements.

Because of the nature of the testing carried out, and because of the other constraints of the audit, together with the accompanying constraints inherent for any internal controls system, there is an inevitable risk, that even a material misstatement could remain undiscovered.

Our work did not identify any conditions that we believed to be significant or material weakness.

Skopje, 19 July 2022

Certified Auditor

Kostadinka Kitanoska

**Manager and Certified Auditor**

Antonio Veljanov

