Project's Financial Statements and
Independent Auditors' Report

Ministry of Finance of the Republic of Macedonia

"Municipal Services Improvement Project" - International
Bank for Reconstruction and Development
Loan number 7699-MK and Loan number 8158-MK

31 December 2014
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Management Responsibility

The accompanying financial statements comprising of Statement of Sources and Uses of Funds, Statement of Uses of Funds by Project Activity, Statement of Unit of Output by Project Activity, Statement of Breakdown of Loans and Grants, Statements of Withdrawals (SOE’s), Designated Account Statements and related disclosure Notes (further referred as to “Project’s Financial Statements”), of the Ministry of Finance of the Republic of Macedonia (MoF), “Municipal Services Improvement Project” (further referred to as the “Project”), financed under International Bank for Reconstruction and Development Loan (IBRD) numbered 7699-MK (“Original loan”) and Loan numbered 8158-MK (“Additional financing”) as at and for the year ended 31 December 2014 on pages 4 to 44, are the responsibility of, and have been approved by the Project’s management.

The accompanying Project’s financial statements have been compiled by the Project’s management, for the purposes of reporting to the MoF and the International Bank for Reconstruction and Development, in conformity with the related requirements of the World Bank’s financial reporting guidelines and in compliance with the relevant provisions set out in the Loan Agreement numbered 7699-MK dated 29 June 2009, Disbursement letter, dated 29 June 2009 and Loan Agreement numbered 8158-MK dated 7 June 2012.

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, 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.

Malgorzata Markiewicz-Bogov,
Project Director
9 June 2015
Independent Auditors’ Report

Grant Thornton

To the Management of the Project

We have audited the accompanying financial statements of the Ministry of Finance of the Republic of Macedonia (MoF), “Municipal Services Improvement Project” (further referred to as the “Project”), financed under International Bank for Reconstruction and Development, Loan numbered 7699-MK and Loan numbered 8158-MK comprising of the Statement of Sources and Uses of Funds, Statement of Uses of Funds by Project Activity, Statement of Unit of Output by Project Activity, Statement of Breakdown of Loans and Grants, Statement of Withdrawals, Designated Account Statements and related disclosure Notes (further referred as to “Project’s Financial Statements) as at and for the year ended 31 December 2014 and included on pages 4 to 44.

Management’s responsibility for financial statements

These Project’s financial statements are compiled for the purposes of reporting to the MoF 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 7699-MK dated 29 June 2009, and the Disbursement letter, dated 29 June 2009 and Loan Agreement numbered 8158-MK dated 7 June 2012. On this basis, cash receipts are recognized when received rather 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 International Standards on Auditing. 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 financial statements of “Municipal Services Improvement Project”, financed under International Bank for Reconstruction and Development, Loan numbered 7699-MK and Loan numbered 8158-MK, present fairly, in all material respects, the Project's financial position as at 31 December 2014, and the movement on the Sources and Uses of Funds, Statement of Uses of Funds by Project Activity, Statement of Unit of Output by Project Activity, Statement of Breakdown of Loans and Grants, Statement of Withdrawals and Designated Account Statements as at and for the year ended 31 December 2014, 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 7699-MK dated 29 June 2009, and the Disbursement letter, dated 29 June 2009 and Loan Agreement numbered 8158-MK dated 7 June 2012.

In addition:

- Adequate supporting documentation has been maintained to support claims to the World Bank for replenishment of expenditures incurred, and which expenditures are eligible for financing under the Loan Agreement numbered 7699-MK and Loan Agreement numbered 8158-MK,

- Adequate procurement procedures have been established and implemented, in compliance with the World Bank Procurement regulations and guidelines, and

- In regard to the provided Sub-loans funds to the municipalities, the applied procedures and supporting documents confirms that funds are utilized in efficient manner and for the purposes intended, in accordance with the separate on-lending agreements and provisions stipulated in the Loan Agreement numbered 7699-MK and Loan Agreement numbered 8158-MK.

Skopje,

9 June 2015

Grant Thornton

[Signature]

Director

Suzana Stavrik

[Signature]

Certified Auditor

Suzana Stavrik

Chartered Accountants
Member firm of Grant Thornton International Ltd
Statement of Sources and Uses of Funds

<table>
<thead>
<tr>
<th>Sources of funds</th>
<th>Actually disbursed</th>
<th>Budget</th>
<th>Variance</th>
<th>Actually disbursed</th>
<th>Budget</th>
<th>Variance</th>
<th>Actually disbursed</th>
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<tbody>
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<td>IBRD Original Loan 7699-MK</td>
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<td>4,000,000</td>
<td>1,180,199</td>
<td>3,980,355</td>
<td>4,000,000</td>
<td>19,645</td>
<td>15,543,131</td>
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<tr>
<td>IBRD Additional Financing 8158-MK</td>
<td>4,104,130</td>
<td>6,000,000</td>
<td>1,895,870</td>
<td>2,100,000</td>
<td>2,600,000</td>
<td>500,000</td>
<td>6,297,130</td>
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<tr>
<td><strong>Total sources of funds</strong></td>
<td><strong>6,923,931</strong></td>
<td><strong>10,000,000</strong></td>
<td><strong>3,076,069</strong></td>
<td><strong>6,080,355</strong></td>
<td><strong>6,600,000</strong></td>
<td><strong>519,645</strong></td>
<td><strong>21,840,261</strong></td>
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<table>
<thead>
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<th>Uses of funds</th>
<th>Actually disbursed</th>
<th>Budget</th>
<th>Variance</th>
<th>Actually disbursed</th>
<th>Budget</th>
<th>Variance</th>
<th>Actually disbursed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Municipal Investment</td>
<td>5,808,249</td>
<td>5,888,307</td>
<td>80,058</td>
<td>5,342,570</td>
<td>5,815,223</td>
<td>472,653</td>
<td>18,062,614</td>
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<td>Capacity Building and Institutional Reform</td>
<td>6,270</td>
<td>11,270</td>
<td>5,000</td>
<td>7,875</td>
<td>7,875</td>
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<td>39,377</td>
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<td>Performance Management and Operating Cost</td>
<td>149,390</td>
<td>158,362</td>
<td>8,972</td>
<td>107,985</td>
<td>101,557</td>
<td>(6,428)</td>
<td>513,815</td>
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<tr>
<td><strong>Subtotal - Financed by IBRD</strong></td>
<td><strong>6,213,448</strong></td>
<td><strong>6,310,711</strong></td>
<td><strong>97,263</strong></td>
<td><strong>5,538,342</strong></td>
<td><strong>6,004,567</strong></td>
<td><strong>466,225</strong></td>
<td><strong>19,845,257</strong></td>
</tr>
<tr>
<td>Front-end fee</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>140,250</td>
</tr>
<tr>
<td><strong>Total uses of funds</strong></td>
<td><strong>6,213,448</strong></td>
<td><strong>6,310,711</strong></td>
<td><strong>97,263</strong></td>
<td><strong>5,538,342</strong></td>
<td><strong>6,004,567</strong></td>
<td><strong>466,225</strong></td>
<td><strong>19,985,507</strong></td>
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<tr>
<td>Balance</td>
<td>710,483</td>
<td>3,689,289</td>
<td>2,976,806</td>
<td>542,013</td>
<td>695,433</td>
<td>53,420</td>
<td>1,854,754</td>
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</table>

Reconciliation to the balance of unspent funds:

| Unspent funds, at beginning of the period | 1,144,271 | 2,839,921 | 1,695,650 | 602,258 | 2,244,488 | 1,642,230 | - | - |
| Unspent funds, at end of the period | 1,854,754 | 6,529,210 | 4,674,456 | 1,144,271 | 2,839,921 | 1,695,650 | 1,854,754 | 1,144,271 |

The Project's Financial Statements have been approved by the MoF on 9 June 2015 and signed on its behalf by:

Malgorzata Markiewicz-Bogov,
Project Director
Statement of Uses of Funds by Project Activity

<table>
<thead>
<tr>
<th>Project's expenditures by activity:</th>
<th>Actually disbursed</th>
<th>Budget</th>
<th>Variance</th>
<th>Actually disbursed</th>
<th>Budget</th>
<th>Variance</th>
</tr>
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<tr>
<td>A. Municipal Investment</td>
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<td></td>
<td></td>
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<tr>
<td>Municipal Services Improvement Project - Original Loan</td>
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<td>A.1 Sub Loan MSIP 01 - Kocani (Pipe Replacement - 6 km)</td>
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<td>A.1.i. Contract MSIP 01/1-NCB</td>
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<td>A.1.ii. Contract MSIP 01/2-CQ</td>
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<td>A.2 Sub Loan MSIP 02 - Bogdanci (Street Lighting)</td>
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<td>A.2.i. Contract MSIP 02/1-NCB</td>
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<td>A.2.ii. Contract MSIP G NSB 004/11</td>
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<td>A.3. Sub Loan MSIP 03 - Skopje (Vehicle and bins for solid waste)</td>
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<td>A.3.i. Contract MSIP 03/1-ICB</td>
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<td>A.3.ii. Contract MSIP 03/2-ICB</td>
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<td>A.3.ii. Remaining loan funds (VAT)</td>
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<td>A.4 Sub Loan MSIP 04 - Ilinden (Heating and Cooling of Municipality Building)</td>
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<td>A.4 Sub Loan MSIP 04-2 - ILINDEN (Heating and Cooling in House of Culture)</td>
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<td>A.5. Sub Loan MSIP 05 - Kisela Voda (Drainage Systems)</td>
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<td>A.5.i. Contract MSIP NCB 004/11</td>
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<td>A.5.ii. Contract MSIP W NCB 005/2 - KISELA VODA (Water supply systems)</td>
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<td>A.5.ii. Contract MSIP W NCB 005/11</td>
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<tr>
<td>A.6 Sub Loan MSIP 06 STIP (Arrangement of the central city area)</td>
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<td>A.6.ii. Contract MSIP W NCB 006/11</td>
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<tr>
<td>Returned sub-loan funds due to termination of the Sub-loan Agreement*</td>
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<td>A.7 Sub Loan MSIP 07 - PECEVO (Vehicles for solid waste)</td>
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<td>A.7.i. Contract MSIP G NCB-004/11</td>
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<tr>
<td>A.8 Sub Loan MSIP 08-1 - VELES (Extension of water supply system)</td>
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<tr>
<td>A.8.ii. Contract MSIP 08-2 - VELES (Street lighting)</td>
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<td>A.8.ii. Contract MSIP W NCB</td>
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<td>495,127</td>
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<td>A.8 Sub Loan MSIP 08-2 - VELES (Street lighting)</td>
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<td>323,213</td>
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</table>

(Amounts in EUR)

For the period from 01 January 2014 through 31 December 2014

For the period from 01 January 2013 through 31 December 2013
<table>
<thead>
<tr>
<th>Project Activity</th>
<th>Originally Disbursed</th>
<th>Budget</th>
<th>Variance</th>
<th>Actually Disbursed</th>
<th>Budget</th>
<th>Variance</th>
</tr>
</thead>
<tbody>
<tr>
<td>A.9 Sub Loan MSIP 09 - VEVCANI (Vehicles for solid waste and Backhoe)</td>
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<td>A.9.1. Contract MSIP G NCB-005/11-Lot1</td>
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<td>A.9.2. Contract MSIP G NCB-005/11-Lot2</td>
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<td>-</td>
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<td>A.10. Contract MSIP G NCB-009/11</td>
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</tr>
<tr>
<td>A.11 Sub Loan MSIP 11 - KICEVO (Vehicles for solid waste and Street reconstruction)</td>
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<td>A.12 Sub Loan MSIP 12 - NOVACI (Street lighting)</td>
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<td>403,923</td>
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<td>A.13 Sub Loan MSIP 13 - DOLNENI (Rehabilitation of local roads)</td>
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<td>A.14 Sub Loan MSIP 14 - GJORCE PETROV (Streets reconstruction)</td>
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<td>A.15 Sub Loan MSIP 15 - GRADSKO (Vehicle and bins for solid waste)</td>
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<td>A.15.ii Contract MSIP G SH</td>
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<td>A.16 Sub Loan MSIP 16 - VASILEVO (Construction of the water supply network)</td>
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<td>A.17 Sub Loan MSIP 17 - BOSILOVO (Construction of bridge)</td>
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<tr>
<td>A.18 Sub Loan MSIP 18 - MOGILA (Reconstruction of House of Culture)</td>
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<td>A.19 Sub Loan MSIP 19 - GOSTIVAR (Street lighting and Supply of basic equipment for public hygiene)</td>
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<td>241,094</td>
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<td>- Remaining loan funds</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>42,702</td>
<td>(42,702)</td>
<td>-</td>
</tr>
<tr>
<td>- VAT and Customs</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>A.20 Sub Loan MSIP 20 - PRILEP (Streets reconstruction)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
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<tr>
<td>A.20.i. Contract MSIP ICB</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>458,000</td>
<td>458,000</td>
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<td>A.20.ii. Contract MSIP NCB</td>
<td>100,879</td>
<td>100,879</td>
<td>-</td>
<td>241,094</td>
<td>250,000</td>
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<td>- Remaining loan funds</td>
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<td>-</td>
<td>42,702</td>
<td>(42,702)</td>
<td>-</td>
</tr>
<tr>
<td>A.21 Sub Loan MSIP 21 - CAIR (School/Kindergarten Insulation Project)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>A.21.i. Contract MSIP NCB</td>
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<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
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<tr>
<td>A.22 Sub Loan MSIP - GAZI BABA (Reconstruction of School)</td>
<td>130,344</td>
<td>130,344</td>
<td>-</td>
<td>354,180</td>
<td>466,000</td>
<td>141,820</td>
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<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
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<tr>
<td>A.23 Sub Loan MSIP 34 - BULTEL (Construction of School-phase II)</td>
<td>816,810</td>
<td>820,000</td>
<td>3,190</td>
<td>118,374</td>
<td>118,000</td>
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<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
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<tr>
<td>A.24 Sub Loan MSIP - KAVADARCI (Reconstruction of Schools)</td>
<td>216,400</td>
<td>220,000</td>
<td>3,600</td>
<td>-</td>
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<td>-</td>
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<tr>
<td>A.24.i. Contract MSIP NCB</td>
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<tr>
<td>Other Sub - Loan</td>
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<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
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<tr>
<td>Sub-total Component A - Original Loan</td>
<td>2,086,480</td>
<td>2,118,602</td>
<td>32,122</td>
<td>3,396,303</td>
<td>3,690,643</td>
<td>294,540</td>
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Statement of Uses of Funds by Project Activity (continued)  

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<tr>
<th>Project Activity</th>
<th>For the period from 01 January 2014 through 31 December 2014</th>
<th>For the period from 01 January 2013 through 31 December 2013</th>
</tr>
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<tbody>
<tr>
<td></td>
<td>Actually disbursed</td>
<td>Budget</td>
</tr>
<tr>
<td><strong>Municipal Services Improvement Project</strong></td>
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</tr>
<tr>
<td><strong>Additional Financing</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>A.AF.01 Sub Loan MSIP 22 - BERVOO (Streets reconstruction)</td>
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<td></td>
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<td>A.AF.1.i Contract MSIP W NCB</td>
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<td>35,007</td>
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<tr>
<td>A.AF.02 Sub Loan MSIP 23 - MAVROVO ROSTUSE (Streets reconstruction)</td>
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<td>199,227</td>
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<tr>
<td>A.AF.03 Sub Loan MSIP - VINICA (Vehicles for solid waste)</td>
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<tr>
<td>A.AF.03 Sub Loan MSIP 24-2 - VINICA (Construction of storm water system and construction of street)</td>
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<td>A.AF.1.i Contract MSIP G NCB</td>
<td>554,708</td>
<td>600,000</td>
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<td>A.AF.1.i Contract MSIP W NCB</td>
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<td>-</td>
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<tr>
<td>A.AF.04 Sub Loan MSIP - KRIVA PALANKA (Streets reconstruction)</td>
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<td></td>
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<td>A.AF.1.i Contract MSIP W NCB</td>
<td>90,778</td>
<td>90,778</td>
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<td>A.AF.05 Sub Loan MSIP 27 - RANKOVICE (Streets reconstruction)</td>
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<td></td>
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<td>A.AF.1.i Contract MSIP W NCB</td>
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<td>109,797</td>
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<td>A.AF.06 Sub Loan MSIP 26 - BOSILOVO (Streets reconstruction)</td>
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<td></td>
</tr>
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<td>A.AF.1.i Contract MSIP W NCB</td>
<td>-</td>
<td>-</td>
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<tr>
<td>A.AF.07 Sub Loan MSIP 29 - PRILEP (Streets reconstruction)</td>
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<tr>
<td>A.AF.1.i Contract MSIP W NCB</td>
<td>696,444</td>
<td>696,444</td>
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<tr>
<td>A.AF.08 Sub Loan MSIP 30 - PETROVEC (Reconstruction of School)</td>
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<td></td>
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<td>A.AF.1.i Contract MSIP W NCB</td>
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<td>1,000,000</td>
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<td>A.AF.09 Sub Loan MSIP 31 - CASKA (Street reconstruction and water reservoir)</td>
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<td></td>
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<tr>
<td>A.AF.9.i Contract MSIP W NCB</td>
<td>531,266</td>
<td>531,266</td>
</tr>
<tr>
<td>A.AF.10 Sub Loan MSIP 32 - PROBISHTIP (Street reconstruction)</td>
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<td>A.AF.10.i Contract MSIP W NCB</td>
<td>234,600</td>
<td>240,000</td>
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<tr>
<td>A.AF.11 Sub Loan MSIP 33 - PEHECO (Streets reconstruction)</td>
<td></td>
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<tr>
<td>A.AF.11.i Contract MSIP W NCB</td>
<td>105,557</td>
<td>111,000</td>
</tr>
<tr>
<td>A.AF.12 Sub Loan MSIP 35 - KRUSEVO (Installation of water meters)</td>
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<td></td>
</tr>
<tr>
<td>A.AF.12.i Contract MSIP W NCB</td>
<td>8,545</td>
<td>8,545</td>
</tr>
<tr>
<td>A.AF.13 Sub Loan MSIP 36 - DOJURAN (Purchasing of comunal vehicles)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>A.AF.13.i Contract MSIP W NCB</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>A.AF.14 Sub Loan MSIP 37 -OHRID (Purchasing of comunal vehicles and street reconstruction)</td>
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<td></td>
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<tr>
<td>A.AF.14.i Contract MSIP G ICB</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>A.AF.14.i Contract MSIP W ICB</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>A.AF.15 Sub Loan MSIP 38 - KARPPOS (Street and storm water reconstr.)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>A.AF.15.i Contract MSIP W ICB</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>A.AF.16 Sub Loan MSIP 39 - SHUTO ORIZARI (Water supply system)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>A.AF.16.i Contract MSIP W ICB</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>A.AF.17 Sub Loan MSIP 40 - CITY OF SKOPJE (Water supply system)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>A.AF.17.i Contract MSIP W ICB</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>
**Ministry of Finance of the Republic of Macedonia**

**"Municipal Services Improvement Project"**

IBRD Loan number 7699-MK and Loan number 8158-MK

**Financial Statements**

31 December 2014

(Amounts in EUR)

<table>
<thead>
<tr>
<th>Statement of Uses of Funds by Project Activity (continued)</th>
<th>For the period from 01 January 2014 through 31 December 2014</th>
<th>For the period from 01 January 2013 through 31 December 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Actually disbursed</td>
<td>Budget Variance</td>
<td>Actually disbursed</td>
</tr>
<tr>
<td>A.AF.18 Sub Loan MSIP 41 - ZELINO (Street and storm water reconstr.)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>A.AF.18.1 Contract MSIP W ICB</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>A.AF.19 Sub Loan MSIP 42 - ROSOMAN (Water reservoir)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>A.AF.19.1 Contract MSIP W ICB</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>A.AF.20 Sub Loan MSIP 43 - KOČANI (Street construction)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>A.AF.20.1 Contract MSIP W ICB</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>A.AF.21 Sub Loan MSIP 44 - GORČE PETROV (Street construction)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>A.AF.21.1 Contract MSIP W ICB</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>A.AF.22 Sub Loan MSIP 45 - NEGOTINO (Water pipe replacement)</td>
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<td>-</td>
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<td>A.AF.22.1 Contract MSIP W ICB</td>
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<td>-</td>
</tr>
<tr>
<td>Other Sub-Loans</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Sub-total Component A - Additional Financing</strong></td>
<td><strong>3,721,769</strong></td>
<td><strong>3,789,705</strong></td>
</tr>
<tr>
<td><strong>Sub-total Component A</strong></td>
<td><strong>5,806,249</strong></td>
<td><strong>5,688,307</strong></td>
</tr>
</tbody>
</table>

**B. Capacity Building and Institutional Reform**

**Municipal Services Improvement Project - Original Loan**

B.1 TA to Municipalities and CSE's for Sub-project preparation

B.1.i. IBNET consultant | 6,270 | 6,270 | 7,200 | 7,200 |
B.1.ii. TA for Preparation of PADs for the Municipalities | 5,000 | 5,000 | - | - |
B.2 Strengthening Capacity of Mun. and CSE's to Improve Services | - | - | - | - |
B.3 Development strategy for Fin. Intermediaries in Mun. Investments | - | - | - | - |
B.4 Project Introduction and sub-project implementation workshop | - | - | - | - |
B.5 TA for review of legal, regulatory framework for sovereign debt | - | - | - | - |
B.5.ii. Contract MSIP PMU-CS-SSS-B5-1 | - | - | - | - |
B.5.iii. Contract MSIP PMU-CS-SSS-B5-2 | - | - | - | - |
B.5.iii Workshop | - | - | - | - |
Payments without contract | - | - | 675 | 675 |
B.4. Follow-up workshop on feasibility study preparation | - | - | - | - |
B.4. IBNET workshop | - | - | 675 | 675 |
B.4. Procurement workshop | - | - | - | - |
| **Sub-total Component B - Original Loan** | **6,270** | **11,270** | **5,000** | **7,875** | **7,875** |

**Municipal Services Improvement Project - Additional Financing**

B.1.AF. Contract | - | - | - | - |
B.2.AF. Contract | - | - | - | - |
B.3.AF. Contract | - | - | - | - |
B.4.AF. Contract | - | - | - | - |
| **Sub-total Component B - Additional Financing** | - | - | - | - |
| **Sub-total Component B** | **6,270** | **11,270** | **5,000** | **7,875** | **7,875** |
### Statement of Uses of Funds by Project Activity (continued)

#### C. Performance - Based Investment Grants

**Municipal Services Improvement Project - Original Loan**

<table>
<thead>
<tr>
<th>Project</th>
<th>Amount Disbursed</th>
<th>Budget</th>
<th>Variance</th>
<th>Amount Disbursed</th>
<th>Budget</th>
<th>Variance</th>
</tr>
</thead>
<tbody>
<tr>
<td>C.02. CITY of SKOPJE GA-02</td>
<td>38,343</td>
<td>38,343</td>
<td>19,883</td>
<td>38,343</td>
<td>38,343</td>
<td>19,883</td>
</tr>
<tr>
<td>C.03. VEVCHANI GA-03</td>
<td>36,162</td>
<td>36,162</td>
<td>19,883</td>
<td>36,162</td>
<td>36,162</td>
<td>19,883</td>
</tr>
<tr>
<td>C.04. KUSILEVO GA-04</td>
<td>9,842</td>
<td>9,842</td>
<td>19,883</td>
<td>9,842</td>
<td>9,842</td>
<td>19,883</td>
</tr>
<tr>
<td>C.05. MOGILA GA-05</td>
<td>16,767</td>
<td>16,767</td>
<td>19,883</td>
<td>16,767</td>
<td>16,767</td>
<td>19,883</td>
</tr>
<tr>
<td>C.06. KUSCHEVO GA-06</td>
<td>60,029</td>
<td>60,029</td>
<td>19,883</td>
<td>60,029</td>
<td>60,029</td>
<td>19,883</td>
</tr>
</tbody>
</table>

#### Sub-total Component C - Original Loan

249,539 252,772 3,233 79,912 79,912

#### Municipal Services Improvement Project - Additional Financing

<table>
<thead>
<tr>
<th>Component</th>
<th>Amount Disbursed</th>
<th>Budget</th>
<th>Variance</th>
<th>Amount Disbursed</th>
<th>Budget</th>
<th>Variance</th>
</tr>
</thead>
<tbody>
<tr>
<td>MSIP PMU 01 - Project director</td>
<td>14,430</td>
<td>15,730</td>
<td>1,300</td>
<td>16,140</td>
<td>10,400</td>
<td>(5,740)</td>
</tr>
<tr>
<td>MSIP PMU 02 - FM specialist</td>
<td>12,210</td>
<td>13,310</td>
<td>1,100</td>
<td>13,090</td>
<td>13,090</td>
<td>-</td>
</tr>
<tr>
<td>MSIP PMU 03 - Procurement specialist</td>
<td>12,210</td>
<td>13,310</td>
<td>1,100</td>
<td>13,090</td>
<td>13,090</td>
<td>-</td>
</tr>
<tr>
<td>MSIP PMU 04 - Civil Engineer</td>
<td>12,765</td>
<td>13,915</td>
<td>1,150</td>
<td>13,684</td>
<td>13,684</td>
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</tr>
<tr>
<td>MSIP PMU 05 - Office Manager</td>
<td>7,770</td>
<td>8,470</td>
<td>700</td>
<td>7,280</td>
<td>7,280</td>
<td>-</td>
</tr>
<tr>
<td>MSIP PMU 09 - Office Manager 2</td>
<td>11,100</td>
<td>12,100</td>
<td>1,000</td>
<td>11,900</td>
<td>11,900</td>
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</tr>
<tr>
<td>MSIP PMU 12 - Administrative officer</td>
<td>7,770</td>
<td>8,470</td>
<td>700</td>
<td>8,330</td>
<td>8,330</td>
<td>-</td>
</tr>
<tr>
<td>MSIP PMU 13- Civil engineer 2</td>
<td>4,000</td>
<td>5,000</td>
<td>1,000</td>
<td>5,000</td>
<td>5,000</td>
<td>-</td>
</tr>
<tr>
<td>Part time personnel</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
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<tr>
<td>MSIP PMU 06 - Environment consultant</td>
<td>9,193</td>
<td>9,200</td>
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<td>9,240</td>
<td>9,240</td>
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<tr>
<td>MSIP PMU 10 - Performance grant consultant</td>
<td>6,120</td>
<td>6,200</td>
<td>80</td>
<td>6,200</td>
<td>6,200</td>
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<td>Project Financial Audit</td>
<td>5,740</td>
<td>5,740</td>
<td>4,263</td>
<td>4,263</td>
<td>4,263</td>
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<tr>
<td>Other costs</td>
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<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
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<tr>
<td>MSIP PMU - Furniture</td>
<td>5,744</td>
<td>6,000</td>
<td>256</td>
<td>6,000</td>
<td>6,000</td>
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<tr>
<td>MSIP PMU 01 - SH - IT equipment</td>
<td>859</td>
<td>900</td>
<td>41</td>
<td>890</td>
<td>890</td>
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<tr>
<td>MSIP PMU 02 - SH - Vehicle</td>
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<td>27,178</td>
<td>27,178</td>
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<td>MSIP PMU SH 04 FM software</td>
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<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
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<tr>
<td>Training for the PMU staff</td>
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<td>839</td>
<td>4,280</td>
<td>4,280</td>
<td>4,280</td>
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<tr>
<td>Payments without contract</td>
<td>11,462</td>
<td>12,000</td>
<td>538</td>
<td>7,358</td>
<td>5,000</td>
<td>(2,358)</td>
</tr>
</tbody>
</table>

#### Sub-total Component D - Original Loan

149,390 158,362 8,972 107,985 101,657 (6,428)
### Statement of Uses of Funds by Project Activity (continued)

<table>
<thead>
<tr>
<th>Project Activity</th>
<th>Actually Disbursed</th>
<th>Budget</th>
<th>Variance</th>
<th>Actually Disbursed</th>
<th>Budget</th>
<th>Variance</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Municipal Services Improvement Project</strong></td>
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<td></td>
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</tr>
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<td>D.1.AF. Contract</td>
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<td>D.2.AF. Contract</td>
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<td>-</td>
<td>-</td>
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<tr>
<td>D.3.AF. Contract</td>
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<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Sub-total Component D - Additional Financing</strong></td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Sub-total Component D</strong></td>
<td>149,390</td>
<td>158,362</td>
<td>8,972</td>
<td>107,985</td>
<td>101,557</td>
<td>(6,428)</td>
</tr>
<tr>
<td><strong>Total Project Expenditures by activity</strong></td>
<td>6,213,448</td>
<td>6,310,711</td>
<td>97,263</td>
<td>5,536,342</td>
<td>6,004,567</td>
<td>466,228</td>
</tr>
</tbody>
</table>

(Amounts in EUR)
Statement of Unit of Output by Project Activity

Cumulative for the period from 29 June 2009 through 31 December 2014

<table>
<thead>
<tr>
<th>Activities from the MSIP Procurement Plan</th>
<th>Procurement plan amount in Euro</th>
<th>Contracted amount in Euro equivalent</th>
<th>Paid amount in Euro equivalent</th>
<th>Procurement method</th>
<th>Contract amount original currency</th>
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<th>Paid amount local currency MKD</th>
<th>Commitments in contract currency EUR</th>
<th>Commitments in contract currency MKD</th>
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<td>Component A: MUNICIPAL INVESTMENTS</td>
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<tr>
<td>Municipal Services Improvement Project-Original Loan</td>
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<td>A.1 Sub Loan MSIP 01 - KOCANI (Pipe Replacement (6km))</td>
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<td>A.1.ii.Contract MSIP 01/2-CQ</td>
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<td>1,798,300</td>
<td>1,798,300</td>
<td>1,798,300</td>
<td>ICB</td>
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<td>1,798,300 EUR</td>
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<td>748,800</td>
<td>748,800</td>
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<td>748,800 EUR</td>
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<td>Activities from the MSIP Procurement Plan</td>
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<td>680,744</td>
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<td>A.5.iii. Contract MSIP W NCB 005/11</td>
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<td>638,379</td>
<td>638,379</td>
<td>ICB</td>
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<td>A.6 Sub Loan MSIP 06 STIP (Arrangement of the central city area)</td>
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<td>278,445</td>
<td>278,445</td>
<td>NCB</td>
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<td>Returned sub-loan funds due to termination of the Sub-loan Agreement (184,660)</td>
<td>(184,660)</td>
<td>(184,660)</td>
<td>(184,660)</td>
<td>ICB</td>
<td>(11,305,247)</td>
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<tr>
<td>A.7 Sub Loan MSIP 07 - PEHCEVO (Vehicles for solid waste)</td>
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<td>68,551</td>
<td>68,551</td>
<td>NCB</td>
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<td>4,195,000 MKD</td>
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### Statement of Unit of Output by Project Activity (continued)

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<tr>
<th>Activities from the MSIP Procurement Plan</th>
<th>Procurement plan amount Euro</th>
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<tbody>
<tr>
<td>A.8 Sub Loan MSIP 08-1 - VELES (Extension of water supply system) - Remaining loan funds</td>
<td>685,560</td>
<td>685,549</td>
<td>685,549</td>
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<td>A.8.ii. Contract MSIP W NCB</td>
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<td>A.9 Sub Loan MSIP 09 - VEVCANI (Vehicles for solid waste and Backhoe) - Remaining loan funds</td>
<td>99,886</td>
<td>53,190</td>
<td>53,190</td>
<td>NCB</td>
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<tr>
<td>A.10. Contract MSIP W NCB 009-11 (Vehicles for solid waste)</td>
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<td>266,778</td>
<td>266,778</td>
<td>NCB</td>
<td>16,345,302 MKD</td>
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<tr>
<td>A.11 Sub Loan MSIP 11 - KICEVO (Vehicles for solid waste and Street reconstruction) - Remaining loan funds</td>
<td>764,228</td>
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<td>8,000,000 MKD</td>
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<td>A.12 Sub Loan MSIP 12 - NOVACI (Street lighting)</td>
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<td>266,778</td>
<td>266,778</td>
<td>NCB</td>
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<td>16,345,302 MKD</td>
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### Financial Statements
31 December 2014

#### Statement of Unit of Output by Project Activity (continued)

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<th>Activities from the MSIP Procurement Plan</th>
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<th>Contracted in Euro</th>
<th>Paid amount in Euro equivalent</th>
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<th>Commitments in contract currency EUR</th>
<th>Commitments in contract currency MKD</th>
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<td>A.14 Sub Loan MSIP 14 - GJORCE PETROV (Streets reconstruction)</td>
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<tr>
<td>- A.15 Sub Loan MSIP 15 - GRADSKO (Vehicle and bins for solid waste)</td>
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<td>- A.15.i Contract MSIP G NCB</td>
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<td>A.16 Sub Loan MSIP 16 - VASILEVO (Construction of the water supply network)</td>
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<tr>
<td>- A.17 Sub Loan MSIP 17-BOSILOVO (Construction of bridge)</td>
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<td>- A.17.i Contract MSIP W NCB</td>
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<td>NCB</td>
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<tr>
<td>- A.18 Sub Loan MSIP 18 - MOGILA (Reconstruction of House of Culture)</td>
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<td>- A.18.i Contract MSIP W NCB</td>
<td>180,856</td>
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<td>180,856</td>
<td>NCB</td>
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<td>A.19 Sub Loan MSIP 19 - GOSTIVAR (Street lighting and Supply of basic equipment for public hygiene)</td>
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<td>A.20 Sub Loan MSIP 20 - PRILEP (Streets reconstruction)</td>
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<td>A.21 Sub Loan MSIP 21 - CAIR (School/Kindergarten Insulation Project)</td>
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<td>A.21.i Contract MSIP NCB</td>
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<td>NCB</td>
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**Statement of Unit of Output by Project Activity (continued)**

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<th>Contracted in Euro equivalent</th>
<th>Procureme nt method</th>
<th>Contract amount original currency</th>
<th>Paid original currency</th>
<th>Commitments in contract currency MKD</th>
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<td>A.22 Sub Loan MSIP - GAZI BABA (Reconstruction of School)</td>
<td>1,472,905</td>
<td>1,177,967</td>
<td>ICB</td>
<td>72,444,955MKD</td>
<td>57,310,404MKD</td>
<td>- 15,134,551</td>
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<td>A.23 Sub Loan MSIP - BUTEL (Construction of School)</td>
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<td>1,081,077</td>
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<td>66,486,258MKD</td>
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<td>A.24 Sub Loan MSIP - KAVADARCI (Reconstruction of Schools)</td>
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<td>15,026,725</td>
<td>13,294,577</td>
<td>888,393,278</td>
<td>814,369,052</td>
<td>- 71,665,323</td>
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</tbody>
</table>

**Municipal Services Improvement Project-Additional Financing**

| A.AF.01 Sub Loan MSIP 22 - BERVOVO (Streets reconstruction) | 381,637 | 381,637 | NCB | 23,374,144MKD | 23,374,144MKD | - |
| A.AF.02 Sub Loan MSIP 23 - MAVROVO ROSTUSE (Streets reconstruction) | 199,227 | 199,227 | NCB | 12,203,575MKD | 12,203,575MKD | - |
| A.AF.02 Sub Loan MSIP 23-2 - MAVROVO ROSTUSE (Street lighting) | 104,498 | - | NCB | - | - | - |
| A.AF.03 Sub Loan MSIP 24-2 - VINICA (Street/storm water) | 141,897 | 141,897 | NCB | 8,708,400MKD | 8,708,400MKD | - |
| A.AF.03 Sub Loan MSIP 24-2 - VINICA (Street/storm water) | 719,451 | 711,179 | NCB | 43,737,525MKD | 34,001,275MKD | - |
| A.AF.03.1 Contract MSIP G NCB - Remaining loan funds | | | | | | |
| Sub-total Component A OL | 8,272 | 554,708 | 8,708,400 | 43,737,525 | 34,001,275 | - 9,736,250 |
### Financial Statements
31 December 2014

#### Statement of Unit of Output by Project Activity (continued)

<table>
<thead>
<tr>
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<th>Paid amount in Euro equivalent</th>
<th>Procurement method</th>
<th>Contract amount original currency</th>
<th>Paid original currency</th>
<th>Contract amount local currency MKD</th>
<th>Paid amount local currency MKD</th>
<th>Paid amount contract currency MKD</th>
<th>Commitments in contract currency EUR MKD</th>
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<td>A.AF.04 Sub Loan MSIP - KRIVA PALANKA (Streets reconstruction)</td>
<td>172,171</td>
<td>172,171</td>
<td>172,171</td>
<td>NCB</td>
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<td>A.AF.05 Sub Loan MSIP - RANKOVCE (Streets reconstruction)</td>
<td>341,463</td>
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<td>277,963</td>
<td>NCB</td>
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Cumulative for the period from 29 June 2009 through 31 December 2014
Financial Statements
31 December 2014

Statement of Unit of Output by Project Activity (continued)

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<th>Activities from the MSIP Procurement Plan</th>
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<th>Paid amount in Euro equivalent</th>
<th>Procurement method</th>
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<td>A.AF.18 Sub Loan MSIP 41 - ZELINO (Street and storm water reconstr.)</td>
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<tr>
<td>A.AF.19 Sub Loan MSIP 42 - ROSOMAN (Water reservoire)</td>
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<td>A.AF.21 Sub Loan MSIP 44 - GORCE PETROV (Street construction)</td>
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<td>A.AF.22 Sub Loan MSIP 45 - NEGOTINO (Water pipe replacement )</td>
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<td>A. Other Sub Loans A</td>
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<td>18,962,614</td>
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<td>1,272,190,169</td>
<td>1,161,814,047</td>
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<td>107,917,219</td>
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</table>
**Ministry of Finance of the Republic of Macedonia**  
"Municipal Services Improvement Project"  
IBRD Loan number 7699-MK and Loan number 8158-MK

**Financial Statements**  
31 December 2014

**Statement of Unit of Output by Project Activity (continued)**

<table>
<thead>
<tr>
<th>Activities from the MSIP Procurement Plan</th>
<th>Procurement plan amount Euro</th>
<th>Contracted in Euro equivalent</th>
<th>Paid amount in Euro equivalent</th>
<th>Procurement method</th>
<th>Contract amount original currency</th>
<th>Paid original currency</th>
<th>Contract amount local currency MKD</th>
<th>Paid amount local currency MKD</th>
<th>Commitments in contract currency EUR</th>
<th>Commitments in contract currency MKD</th>
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</thead>
</table>
| Component B: CAPACITY BUILDING AND INSTITUTIONAL STRENGTHENING  
Municipal Services Improvement Project-Original Loan  
B.1 TA support to Municipalities and CSE's for Sub-project preparation (Multiply Contracts)  
B.1.i: IBNET consultant  
B.1.ii: TA for Preparation of PADs for the Municipalities  
| Total B.1 | 137,500 | 129,550 | 15,870 | | | | 7,967,325 | 958,209 | 113,680 | - |
| B.2 Strengthening Capacity of Municipalities and CSE's to Improve Performance in Services  
B.2.i: Monitoring and evaluation of CSE's  
B.2.ii: Financial and accounting systems  
B.2.iii: Programmes for reduction of non-revenue waters  
B.2.iv: Development of models for water tariffs | - | - | - | - | - | - | - | - | - | - |
| Total B.2 | 50,000 | - | - | - | - | - | - | - | - | - |
| B.3: Development of strategy for Involvement of Financial Intermediaries in Municipal Investments (Multiply Contracts)  
B.3.i: Contract 1  
B.3.i: Contract 2 | - | - | - | - | - | - | - | - | - | - |
| Total B.3 | 40,000 | - | - | - | - | - | - | - | - | - |
Statement of Unit of Output by Project Activity (continued)

<table>
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<th>Contracted in Euro equivalent</th>
<th>Paid amount in Euro equivalent</th>
<th>Procurement cost method</th>
<th>Contract amount original currency</th>
<th>Paid original currency</th>
<th>Commitments in currency</th>
<th>Commitments in currency</th>
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<td>B.4 Project Introduction and sub-project implementation workshop for strengthening the Capacity of Municipalities and CSE's (Multiply Workshop)</td>
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<td>B.4.i: Follow-up seminar of feasibility study preparation for sub-projects (multiply)</td>
<td>2,000</td>
<td>506</td>
<td>506</td>
<td>Training</td>
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<td>B.4.ii: Preparation of detailed design and tender documents (multiply)</td>
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<td>B.4.iii: Contract Management and Administration training workshop (multiply)</td>
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<td>B.4.iv: Operation and maintenance (multiply)</td>
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<td>191,193</td>
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<td>B.5 TA for review of legal, regulatory framework for sovereign debt</td>
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<td>B.5.i.Contract MSIP PMU-CS-SSS-B5-1</td>
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<td>113,680</td>
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<td>9,380,027</td>
<td>2,370,911</td>
<td>113,680</td>
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Municipal Services Improvement Project-Additional Financing

| B.1.AF.Contract                          |                             |                               |                               |                         |                                  |                       |                           |                           |
| B.2.AF.Contract                          |                             |                               |                               |                         |                                  |                       |                           |                           |
| B.3.AF.Contract                          |                             |                               |                               |                         |                                  |                       |                           |                           |
| B.4.AF.Contract                          |                             |                               |                               |                         |                                  |                       |                           |                           |
| Sub-total Component B AF                | 1,824,700                   |                               |                               |                         |                                  |                       |                           |                           |
| Total Component B                        | 2,080,750                   | 153,057                       | 39,377                        |                         | 9,380,027                       | 2,370,911             | 113,680                  |                           |
### Financial Statements
31 December 2014

#### Statement of Unit of Output by Project Activity (continued)

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<tr>
<th>Component</th>
<th>Project Activity</th>
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<th>Contracted amount in Euro equivalent</th>
<th>Paid amount in Euro equivalent</th>
<th>Procurement plan method</th>
<th>Contract amount in original currency (Euro equivalent)</th>
<th>Paid original amount (MKD)</th>
<th>Commitments in contract currency (Euro)</th>
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Ministry of Finance of the Republic of Macedonia 21
"Municipal Services Improvement Project"
IBRD Loan number 7699-MK and Loan number 8158-MK

Financial Statements 31 December 2014

Statement of Unit of Output by Project Activity (continued)

<table>
<thead>
<tr>
<th>Activities from the MSIP Procurement Plan</th>
<th>Procurement plan amount in Euro equivalent</th>
<th>Contracted amount in Euro equivalent</th>
<th>Paid amount in Euro equivalent</th>
<th>Procurement method</th>
<th>Contract amount original currency</th>
<th>Paid original currency</th>
<th>Contract amount local currency MKD</th>
<th>Paid amount local currency MKD</th>
<th>Commitments in contract currency MKD</th>
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## Financial Statements

### Cumulative for the period from 29 June 2009 through 31 December 2014

### Statement of Unit of Output by Project Activity (continued)

<table>
<thead>
<tr>
<th>Activities from the MSIP Procurement Plan</th>
<th>Procurement plan amount Euro</th>
<th>Contracted in Euro equivalent</th>
<th>Paid amount in Euro equivalent</th>
<th>Procurement method</th>
<th>Contract amount original currency</th>
<th>Paid original currency</th>
<th>Contract amount local currency MKD</th>
<th>Paid amount local currency MKD</th>
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<td>D.3: Operating costs</td>
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</table>

### Municipal Services Improvement Project-Additional Financing

| D.1/1 AF Project Management Unit         |                             |                               |                               |                   |                                 |                       |                                   |                               |                                         |                                         |
| D.1/1 AF.i - PMU staff                  |                             |                               |                               |                   |                                 |                       |                                   |                               |                                         |                                         |
| (continuation)                           |                             |                               |                               |                   |                                 |                       |                                   |                               |                                         |                                         |
|                                       | 64,995                      | 64,995                        | -                              |                   | 64,995EUR                       | 3,997,193             | -                                 | 64,995                        | -                                       |                                         |
| D.1/1 AF.ii - Financial Management Specialist (continuation) | 55,020                      | 55,020                        | -                              |                   | 55,020EUR                       | 3,383,730             | -                                 | 55,020                        | -                                       |                                         |
### Financial Statements
31 December 2014

#### Statement of Unit of Output by Project Activity (continued)

<table>
<thead>
<tr>
<th>Activities from the MSIP Procurement Plan</th>
<th>Procurement plan amount Euro</th>
<th>Contracted in Euro equivalent</th>
<th>Paid amount in Euro equivalent</th>
<th>Procurement method</th>
<th>Contract amount original currency</th>
<th>Paid original currency</th>
<th>Contract amount local currency MKD</th>
<th>Paid amount local currency MKD</th>
<th>Commitments in contract currency</th>
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</thead>
<tbody>
<tr>
<td>D.1/1 AF.iii. - Financial Management Assistant</td>
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<td>-</td>
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<tr>
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<tr>
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</tr>
</tbody>
</table>

D.1/2 AF: Part time specialists
D.1/2 AF.i. Contract | 20,000 | - | - | - | - | - | - | - | - |
D.1/2 AF.ii. Contract | 22,600 | - | - | - | - | - | - | - | - |
| **Total D.1/2** | 42,600 | - | - | - | - | - | - | - | - |
| **Total D.1** | 567,300 | 404,700 | 24,889,052 | - | 404,700 | - | - | - | - |

D.2.AF.Project Financial Audit
D.2.AF. Audit extension | 10,000 | - | - | - | - | - | - | - | - |
| **Total D.2** | 10,000 | - | - | - | - | - | - | - | - |
### Statement of Unit of Output by Project Activity (continued)

<table>
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<th>Activities from the MSIP Procurement Plan</th>
<th>Procurement plan amount Euro</th>
<th>Contracted in Euro equivalent</th>
<th>Paid amount in Euro equivalent</th>
<th>Procurement method</th>
<th>Contract amount original currency</th>
<th>Paid original currency</th>
<th>Contract amount local currency MKD</th>
<th>Paid amount local currency MKD</th>
<th>Commitments in contract currency EUR</th>
<th>Commitments in contract currency MKD</th>
</tr>
</thead>
<tbody>
<tr>
<td>D.3.AF: Operating costs</td>
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<td>Sub-total component D AF</td>
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<td><strong>Total Component D</strong></td>
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<td><strong>31,437,830</strong></td>
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<td>Front and Fee-Additional Financing</td>
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<td>93,000</td>
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<td><strong>Total Project</strong></td>
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Statement of Breakdown of Loans and Grants

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<th>Loan/grant amount</th>
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<td>Municipal Services Improvement Project-Original Loan</td>
<td>Sub-loan MSIP 01/ 14 December</td>
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<td>Sub-loan MSIP 02/ 13 April 2010</td>
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### Statement of Breakdown of Loans and Grants (continued)

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<th>Municipality</th>
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<td>CITY OF SKOPJE</td>
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<td>ILINDEN</td>
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<td>A.4 Sub Loan MSIP 04 - ILINDEN (Heating and Cooling of Municipal Buildings)</td>
<td>Sub-loan MSIP 04/ 24 September 2010</td>
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<td>A.4 Sub Loan MSIP 04 - ILINDEN (Heating and Cooling of Municipal Buildings)</td>
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<td>KISELA VODA</td>
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<tr>
<td>A.5 Sub Loan MSIP 05- KISELA VODA (Drainage Systems)</td>
<td>Sub-loan MSIP 05/ 27 November 2010</td>
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<td>A.5.i. Contract MSIP W ICB 003/11-Lot1</td>
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<td>A.5 Sub Loan MSIP 05/2 - KISELA VODA (Water supply systems)</td>
<td>Sub-loan MSIP 05-2/ 14 March 2011</td>
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### Statement of Breakdown of Loans and Grants (continued)

<table>
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<td>Returned sub-loan funds</td>
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<td><strong>PEHCEVO</strong></td>
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<td><strong>VELES</strong></td>
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<td>A.8 Sub Loan MSIP 08-1 - VELES (Extension of water supply system)</td>
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<td>A.9 Sub Loan MSIP 09 - VEVCANI (Vehicles for solid waste and Backhoe)</td>
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<td>A.9.ii. Contract MSIP W NCB-Lot 2**</td>
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<td>A.10. Contract MSIP W NCB 009-11</td>
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**Statement of Breakdown of Loans and Grants (continued)**

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<td>A.11 Sub Loan MSIP 11 - KICEVO (Vehicles for solid waste and Street reconstruction)</td>
<td>Sub-loan MSIP 11/1 September 2011</td>
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<td>A.12 Sub Loan MSIP 12 - NOVACI (Street lighting)</td>
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<td>A.13 Sub Loan MSIP 13 - DOLNENI (Rehabilitation of local roads)</td>
<td>Sub-loan MSIP 13/31 August 2011</td>
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<td>A.14 Sub Loan MSIP 14 - Gjorce Petrov (Streets reconstruction)</td>
<td>Sub-loan MSIP 14/20 November 2011</td>
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<td><strong>GRADSKO</strong></td>
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<td>A.15 Sub Loan MSIP 15 - Gradsko (Vehicle and bins for solid waste)</td>
<td>Sub-loan MSIP 15/17 November 2011</td>
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### Statement of Breakdown of Loans and Grants (continued)

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<th>Municipality</th>
<th>Loan/grant No. / WB approved date</th>
<th>Cumulative for the period from 29 June 2009 through 31 December 2014</th>
<th>(Amounts in EUR)</th>
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<td>A.18 Sub Loan MSIP 18 - Mogila (Reconstruction of House of Culture) Sub-loan MSIP 18/25 May 2012</td>
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<tr>
<td>A.19 Sub Loan MSIP 19 - GOSTIVAR (Street lighting and Supply of basic equipment for public hygiene) Sub-loan MSIP 19/12 July 2012</td>
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### Statement of Breakdown of Loans and Grants (continued)

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<th>Municipality</th>
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<td>A.21 Sub Loan MSIP 21 - CAIR (School/Kindergarten Insulation Project)</td>
<td>Sub-loan MSIP 21/ 29 October 2012</td>
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### Statement of Breakdown of Loans and Grants (continued)

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Statement of Breakdown of Loans and Grants (continued)

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**Statement of Breakdown of Loans and Grants (continued)**

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</table>
### Statement of Breakdown of Loans and Grants (continued)

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<th>Municipality</th>
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<tr>
<td>BOGDANCI</td>
<td>GA MSIP 04/ November 11, 2013</td>
<td>20,000</td>
<td>16,767</td>
<td>16,767</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Municipal co-financing</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>C.07 BOGDANCI GA-07</td>
<td></td>
<td>16,767</td>
<td>16,767</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Remaining loan funds</td>
<td></td>
<td></td>
<td>3,233</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Statement of Withdrawals – Designated Account

### Original Loan 7699-MK

<table>
<thead>
<tr>
<th>Application # and date</th>
<th>Total Requested</th>
<th>Total Disbursed</th>
<th>Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>#1/ 04 April 2014</td>
<td>1,548,024</td>
<td>1,548,024</td>
<td>-</td>
</tr>
<tr>
<td>#2/ 16 October 2014</td>
<td>1,271,777</td>
<td>1,271,777</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>2,819,801</td>
<td>2,819,801</td>
<td>-</td>
</tr>
</tbody>
</table>

### Additional Financing 8158-MK

<table>
<thead>
<tr>
<th>Application # and date</th>
<th>Total Requested</th>
<th>Total Disbursed</th>
<th>Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>#1/ 03 February 2014</td>
<td>1,490,845</td>
<td>1,490,845</td>
<td>-</td>
</tr>
<tr>
<td>#2/ 12 June 2014</td>
<td>1,176,436</td>
<td>1,176,436</td>
<td>-</td>
</tr>
<tr>
<td>#3/ 22 September 2014</td>
<td>1,436,849</td>
<td>1,436,849</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>4,104,130</td>
<td>4,104,130</td>
<td>-</td>
</tr>
</tbody>
</table>

### Original Loan 7699-MK (continued)

<table>
<thead>
<tr>
<th>Application # and date</th>
<th>Total Requested</th>
<th>Total Disbursed</th>
<th>Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>#1/ February 5, 2013</td>
<td>1,497,741</td>
<td>1,497,741</td>
<td>-</td>
</tr>
<tr>
<td>#2/ July 31, 2013</td>
<td>1,266,322</td>
<td>1,266,322</td>
<td>-</td>
</tr>
<tr>
<td>#3/ November 11, 2013</td>
<td>1,216,292</td>
<td>1,216,292</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>3,980,355</td>
<td>3,980,355</td>
<td>-</td>
</tr>
</tbody>
</table>

### Additional Financing 8158-MK (continued)

<table>
<thead>
<tr>
<th>Application # and date</th>
<th>Total Requested</th>
<th>Total Disbursed</th>
<th>Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>#1/ February 18, 2013</td>
<td>600,000</td>
<td>600,000</td>
<td>-</td>
</tr>
<tr>
<td>#2/ July 31, 2013</td>
<td>1,500,000</td>
<td>1,500,000</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>2,100,000</td>
<td>2,100,000</td>
<td>-</td>
</tr>
</tbody>
</table>
### Statement of Designated Account – EUR

#### Account number
0701-978-001129.6

#### Depository Bank
National Bank of the Republic of Macedonia

#### Address
Complex of Banks, 1000 Skopje, Republic of Macedonia

#### Loan Number
7699-MK

#### Currency
EUR

(Amounts in EUR)

For the period from
01 January 2014 through 31 December 2014

<table>
<thead>
<tr>
<th>Description</th>
<th>At 01 January</th>
<th>31 December</th>
</tr>
</thead>
<tbody>
<tr>
<td>Add: Inflows</td>
<td>829,129</td>
<td>469,035</td>
</tr>
<tr>
<td>Replenishment during the period</td>
<td>2,819,801</td>
<td>3,980,355</td>
</tr>
<tr>
<td>Interest received</td>
<td>7,118</td>
<td>5,545</td>
</tr>
<tr>
<td>Deduct: Outflows</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Transfer to treasury account (Mirror designated account) - MKD</td>
<td>(2,346,017)</td>
<td>(3,610,261)</td>
</tr>
<tr>
<td>Interest paid to Ministry of Finance</td>
<td>(7,118)</td>
<td>(5,545)</td>
</tr>
<tr>
<td>Deduct: Outflows</td>
<td>(2,353,135)</td>
<td>(3,615,806)</td>
</tr>
<tr>
<td>At 31 December</td>
<td>1,302,913</td>
<td>829,129</td>
</tr>
</tbody>
</table>

#### Account number
0701-978-001360.4

#### Depository Bank
National Bank of the Republic of Macedonia

#### Address
Complex of Banks, 1000 Skopje, Republic of Macedonia

#### Loan Number
8158-MK

#### Currency
EUR

(Amounts in EUR)

For the period from
01 January 2014 through 31 December 2013

<table>
<thead>
<tr>
<th>Description</th>
<th>At 01 January</th>
<th>31 December</th>
</tr>
</thead>
<tbody>
<tr>
<td>Add: Inflows</td>
<td>153,732</td>
<td>-</td>
</tr>
<tr>
<td>Replenishment during the period</td>
<td>4,104,130</td>
<td>2,100,000</td>
</tr>
<tr>
<td>Interest received</td>
<td>5,258</td>
<td>3,899</td>
</tr>
<tr>
<td>Deduct: Outflows</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Transfer to treasury account (Mirror designated account) - MKD</td>
<td>(3,721,769)</td>
<td>(1,946,268)</td>
</tr>
<tr>
<td>Interest paid to Ministry of Finance</td>
<td>(5,258)</td>
<td>(3,939)</td>
</tr>
<tr>
<td>Deduct: Outflows</td>
<td>(3,727,027)</td>
<td>(1,950,207)</td>
</tr>
<tr>
<td>At 31 December</td>
<td>536,093</td>
<td>153,732</td>
</tr>
</tbody>
</table>
Statement of Treasury Account (Mirror Designated Account) – MKD

<table>
<thead>
<tr>
<th>Account number</th>
<th>090010016776666</th>
</tr>
</thead>
<tbody>
<tr>
<td>Depository Bank</td>
<td>National Bank of the Republic of Macedonia</td>
</tr>
<tr>
<td>Address</td>
<td>Complex of Banks, 1000 Skopje, Republic of Macedonia</td>
</tr>
<tr>
<td>Loan Number</td>
<td>7699-MK</td>
</tr>
<tr>
<td>Currency</td>
<td>Macedonian Denars (&quot;MKD&quot;)</td>
</tr>
</tbody>
</table>

(Amounts in EUR)

For the period from

<table>
<thead>
<tr>
<th>Date</th>
<th>01 January 2014 through 01 January 2013 through 31 December 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>At 01 January</td>
<td>161,045</td>
</tr>
<tr>
<td>142,204</td>
<td></td>
</tr>
</tbody>
</table>

Add: Inflows

- Transfer from designated account – EUR: 2,346,017
- Returned sub loan funds on treasury account*: 24,383

Deduct: Outflows

- Amount of eligible expenses paid during the period: (2,514,116)
- Transfer to Petty Cash in Denar account: (1,060)
- Transfer to Petty Cash in Euro account: (1,000)

At 31 December

<table>
<thead>
<tr>
<th>Amount</th>
<th>161,269</th>
</tr>
</thead>
<tbody>
<tr>
<td>161,045</td>
<td></td>
</tr>
</tbody>
</table>

* On November 19, 2013 based on the mutual agreement between the Ministry of Finance and the Municipality of Stip (as signatories of the Agreement), the Government of the Republic of Macedonia made a decision to terminate Sub-loan Agreement No. MSIP 06/ 5 April 2011, before the completion of the sub-project “Arrangement of the central city area in Stip”. According to the Sub-loan Agreement conditions the Municipality of Stip is obliged to return the used amount received prior to the termination of this Sub-loan agreement. On 17 December 2013, the Municipality of Stip returned portion of the disbursed sub-loan funds to the MSIP project. During the second half of 2014, additional portion of the disbursed sub-loan in the amount of 24,383 EUR was returned to MSIP project in 5 equal instalments. These funds are deposited on the MSIP Treasury account and are used for financing of the Project’s eligible expenditures.

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

<table>
<thead>
<tr>
<th>Account number</th>
<th>090010016776666</th>
</tr>
</thead>
<tbody>
<tr>
<td>Depository Bank</td>
<td>National Bank of the Republic of Macedonia</td>
</tr>
</tbody>
</table>
Ministry of Finance of the Republic of Macedonia
"Municipal Services Improvement Project"
IBRD Loan number 7699-MK and Loan number 8158-MK

Financial Statements
31 December 2014

Address
Complex of Banks, 1000 Skopje, Republic of Macedonia
Loan Number
8158-MK
Currency
Macedonian Denars ("MKD")

(Amounts in EUR)

For the period from
01 January 2014 through 01 January 2013 through
31 December 2014 31 December 2013

At 01 January

Add: Inflows
Transfer from designated account – EUR
3,721,769 1,946,268

Deduct: Outflows
Amount of eligible expenses paid during the period
(3,721,769) (1,946,268)

At 31 December

- -
Statement of Petty Cash in Denar Account

<table>
<thead>
<tr>
<th>Loan Number</th>
<th>Currency</th>
<th>7699-MK Macedonian Denars (&quot;MKD&quot;)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(Amounts in EUR)</td>
<td>For the period from 01 January 2013 through 31 December 2013</td>
</tr>
<tr>
<td></td>
<td></td>
<td>01 January 2014 through 31 December 2014</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>01 January</th>
<th>31 December</th>
<th>01 January</th>
<th>31 December</th>
</tr>
</thead>
<tbody>
<tr>
<td>At 01 January</td>
<td>146</td>
<td>167</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Add: Inflows</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Transfer from Mirror Designated Account – MKD</td>
<td>1,060</td>
<td>979</td>
<td>1,060</td>
<td>979</td>
</tr>
<tr>
<td>Deduct: Outflows</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Amount of eligible expenses paid during the period</td>
<td>(1,110)</td>
<td>(1,000)</td>
<td>(1,110)</td>
<td>(1,000)</td>
</tr>
<tr>
<td>At 31 December</td>
<td>96</td>
<td>146</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
### Statement of Petty Cash in Euro Account

<table>
<thead>
<tr>
<th>Loan Number</th>
<th>Currency</th>
</tr>
</thead>
<tbody>
<tr>
<td>7699-MK</td>
<td>EUR</td>
</tr>
</tbody>
</table>

(Amounts in EUR)

For the period from 01 January 2014 through 31 December 2014

#### At 01 January

<table>
<thead>
<tr>
<th></th>
<th>219</th>
<th>852</th>
</tr>
</thead>
</table>

#### Add: Inflows
- Transfer from Mirror Designated Account – MKD
- Returned advances for business trip

<table>
<thead>
<tr>
<th></th>
<th>1,000</th>
<th>1,400</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>161</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>1,161</strong></td>
<td><strong>1,400</strong></td>
</tr>
</tbody>
</table>

#### Deduct: Outflows
- Amount of eligible expenses paid during the period
- Advances for business trip

<table>
<thead>
<tr>
<th></th>
<th>(836)</th>
<th>(2,033)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(161)</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>(997)</strong></td>
<td><strong>(2,033)</strong></td>
</tr>
</tbody>
</table>

#### At 31 December

<table>
<thead>
<tr>
<th></th>
<th>383</th>
<th>219</th>
</tr>
</thead>
</table>
Notes to Project’s financial statements

1 General
On 29 June 2009, the Ministry of Finance of the Republic of Macedonia (MoF), entered into the Loan Agreement numbered 7699-MK with the International Bank for Reconstruction and Development (“IBRD”) for financing the “Municipal Services Improvement Project” (further referred to as “the Project”) in the amount of EUR 18,900,000. On 04 August 2009, IBRD accepted the evidence submitted in fulfilling the conditions precedent to the effectiveness of the Loan Agreement and consequently the Project and the Loan Agreement became effective on the aforementioned date. Reallocation of the loan proceeds was done on 20 December 2011. According to the amendment of the Loan Agreement signed on 7 June 2012, the Closing Date of the Project is 30 November 2017, which was subsequently extended with the Loan Amendment signed on 24 December 2014. The Closing Date of the project is March 2019. In response to high demand of municipalities and allocation of funds under Component A in December 2011, MoF formally requested IBRD to provide additional financing. The loan was signed on 7 June 2012 and funds became effective on 10 July 2012 for additional financing in the amount of EUR 37,200,000.

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:

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Loan allocated (expressed in Euro)</th>
<th>Amount of the Loan allocated (expressed in Euro)</th>
<th>Total (expressed in Euro)</th>
<th>Percentage of Expenditures to be financed</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Sub-loans under Component A of the Project</td>
<td>16,540,650</td>
<td>31,473,000</td>
<td>48,013,650</td>
<td>100%</td>
</tr>
<tr>
<td>2. Goods, Works, Consultants’ services and Training for the Project</td>
<td>250,050</td>
<td>1,824,700</td>
<td>2,080,750</td>
<td>100%</td>
</tr>
<tr>
<td>3. Grants under Component C of the Project</td>
<td>1,300,000</td>
<td>2,902,000</td>
<td>4,202,000</td>
<td>100%</td>
</tr>
<tr>
<td>4. Operating Costs</td>
<td>756,050</td>
<td>907,300</td>
<td>1,663,350</td>
<td>100%</td>
</tr>
<tr>
<td>5. Front-end Fee</td>
<td>47,250</td>
<td>93,000</td>
<td>140,250</td>
<td>0.25%</td>
</tr>
<tr>
<td>Total</td>
<td>18,900,000</td>
<td>37,200,000</td>
<td>56,100,000</td>
<td>100%</td>
</tr>
</tbody>
</table>

According to the provisions of the Loan Agreement, the Borrower is liable to repay the principal amount of the Loan in semi-annual installments in the amount of EUR 1,181,250 payable each 15th February and 15th August, commencing 15 August 2014 through 15 February 2022. 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.
Notes to the Projects' financial statements (continued)

2 Project Objectives, Activities and Institutional Arrangements

Project Objectives and Activities

The objective of the Project is to improve transparency, financial sustainability and delivery of targeted municipal services in the Participating Municipalities. The Project consists of four components:

Component A: Municipal Investments

Provision of Sub-loans to the Participating Municipalities to finance Sub-projects in the area of water and sanitation services, solid waste management and other revenue-generating or cost saving investments in communal services selected in accordance with the criteria and procedures set forth in the Project Operational Manual.

Component B: Capacity Building and Institutional Reform

1. Provision of consultants' services and Training to the Participating Municipalities to assist with Sub-projects preparation and implementation.

2. Provision of consultants' services and Training to the Participating Municipalities and their communal service enterprises to strengthen their capacity in service provision, communications and public outreach activities and in meeting the selection criteria for Performance-based Investment Grants under Component C of the Project.

3. Institutional strengthening of the Borrower's national agencies through study of policy issues and strategy development related to the financial sustainability of municipal services.

Component C: Performance-based Investment Grants

Provision of Performance-based Investment Grants to selected Participating Municipalities that meet the performance criteria set forth in the POM as an incentive and reward for improving the performance of municipal service delivery.

Component D: Project Management, Monitoring and Evaluation

Strengthening the capacity of PMU, Participating Municipalities and their communal service enterprises for Project management, monitoring and evaluation through the provision of goods, consultant services, including Project audit, Training, and financing of Operating Costs.

As of 24 December 2014, with the Amendments to both Loan Agreements, a new Component E has been added to Schedule.

Component E: IPA Rural Investment Window

1. Provision of investment Sub-Grants to EC IPA Participating Municipalities

2. Provision of technical assistance in the form of consulting services, including technical assistance, surveys, studies and trainings to EC IPA Participating Municipalities, for the preparation of technical documentation, relevant analysis and studies for potential sub-projects, assistance on procedural and accounting issues, facilitation of workshop on common constraints, lessons learnt and best practices, etc. The technical assistance is to insure all EC IPA Participating Municipalities are able to benefit from investment Sub-Grants.

3. Financing of operational expenditure of the PMU related to the implementation of the part titled component E.
Notes to the Projects' financial statements (continued)

Project Objectives, Activities and Institutional Arrangements (continued)

Institutional Arrangements

At all times during the implementation of the Project the Borrower shall maintain the Project Coordination Committee with a composition, resources and terms of reference satisfactory to the Bank.

Throughout the duration of the Project the Borrower shall maintain the Project Management Unit responsible for overall management, coordination, monitoring and evaluation of the Project with a composition, 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 7699-MK and Loan numbered 8158-MK signed between the IBRD and MoF. These financial statements are prepared on the cash receipts and disbursement basis and include all Project-related expenditures incurred, which are financed under the provisions set out in Loan Agreement numbered 7699-MK dated 29 June 2009, Disbursement letter dated 29 June 2009 and Loan Agreement numbered 8158-MK dated 7 June 2012.

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

The financial statements have been prepared for the period from 01 January 2014 through 31 December 2014.

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.