

Project's Financial Statements and
Independent Auditor's Report

Cabinet of the Deputy Prime Minister for Economic Affairs
and Coordination of Economic Departments

"Local and Regional Competitiveness Project" -
International Bank for Reconstruction and Development
Grant number TF0A1779

For the period from 1 January 2019 to 31
December 2019

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Management Responsibility

The accompanying financial statements comprising the Statement of Sources and Uses of Funds, Statement of Uses of Funds by Project Activity, Balance sheet, Statement of Breakdown of Loans and Grants, Statement of Withdrawals, Designated Account Statements and related disclosure Notes (further referred as to “Project’s Financial Statements”), of the Cabinet of the Deputy Prime Minister for Economic Affairs and Coordination of Economic Departments (“the Cabinet”), “Local and Regional Competitiveness Project” (further referred to as “the Project”), financed under International Bank for Reconstruction and Development Grant (“IBRD”) numbered TF0A1779 as at and for the period from 1 January 2019 to 31 December 2019 included on pages 4 to 20, are the responsibility of, and have been approved by the Project’s management.

The accompanying Project’s financial statements have been compiled by the Project’s management, for the purposes of reporting to the Ministry and the International Bank for Reconstruction and Development, in conformity with the related requirements of the World Bank’s financial reporting guidelines and in compliance with the relevant provisions set out in the Grant Agreement numbered TF0A1779 dated 14 January 2016.

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

Grant Thornton DOO Skopje, Independent Auditors, have been engaged to audit these Project’s financial statements in accordance with the International Standards on Auditing accepted in the Republic of North Macedonia. Their report is included on pages 2 and 3.

15 July 2020

Dr. Dragi Raskovski
Secretary General of the Government of
Republic of North Macedonia

Antonia Sisak
Project Director

Stojance Mitovski
Financial Management
Specialist



Grant Thornton

Independent Auditor's Report

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To the Management of the Project

We have audited the accompanying financial statements of the Cabinet of the Deputy Prime Minister for Economic Affairs and Coordination of Economic Departments (“the Cabinet”), “Local and Regional Competitiveness Project” (further referred to as “the Project”), financed under International Bank for Reconstruction and Development, Grant numbered TF0A1779, comprising the Statement of Sources and Uses of Funds, Statement of Uses of Funds by Project Activity, Balance sheet, Statement of Breakdown of Loans and Grants, Statement of Withdrawals, Designated Account Statements and related disclosure Notes (further referred to as “the Project’s Financial Statements”) as at and for the period from 1 January 2019 to 31 December 2019 and included on pages 4 to 20.

Management’s responsibility for the Project’s financial statements

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

The Project’s Management policy is to prepare the accompanying Project’s financial statements on the cash receipts and disbursement basis in conformity with the related requirements of the World Bank’s financial reporting guidelines and in compliance with the relevant provisions set out in the Grant Agreement numbered TF0A1779 dated 14 January 2016. On this basis, cash receipts are recognized when received rather than when earned and cash expenditures are recognized when paid rather than when incurred.

Auditor’s responsibility

Our responsibility is to express an opinion on these Project’s financial statements based on our audit. We conducted our audit in accordance with auditing standards accepted in the Republic of North Macedonia¹. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements.

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

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

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

Opinion

In our opinion, the accompanying financial statements of "Local and Regional Competitiveness Project", financed under International Bank for Reconstruction and Development, Grant numbered TF0A1779, present fairly, in all material respects, the Project's financial position as at 31 December 2019, and the movements on the Sources and Uses of Funds, Statement of Uses of Funds by Project Activity, Statement of Breakdown of Loans and Grants, Statement of Withdrawals and Designated Account Statements for the period from 1 January 2019 to 31 December 2019, 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 Grant Agreement numbered TF0A1779 dated 14 January 2016.

Skopje,

17 July 2020

Grant Thornton DOO, Skopje

Director
Suzana Stavrik

Certified Auditor
Suzana Stavrik

Financial Statements
 For the period from 1 January 2019 to 31 December 2019

Statement of Sources and Uses of Funds

	(Amounts in EUR)					
	For the period from 1 January 2019 to 31 December 2019					
	Actual		Planned		Variance	
	Current period	Cumulative to date	Current period	Cumulative to date	Current period	Cumulative to date
Sources of funds						
IBRD Grant	1,745,345	5,303,615	1,745,345	5,303,615	-	-
National co-financing	503,243	503,243	503,243	503,243	-	-
Infrastructure investments - co-financing	255,524	255,524	255,524	255,524	-	-
Soft-infrastructure grants - co-financing	869,806	869,806	869,806	869,806	-	-
Matching grants - co-financing	159,513	159,513	159,513	159,513	-	-
Interests earned	-	-	-	-	-	-
Total sources of funds	3,533,431	7,091,701	3,533,431	7,091,701	-	-
Uses of funds						
Financed by WB						
Component 2: Strengthening destination management & enabling environment	187,809	187,809	187,809	187,809	-	-
2.1 Central level capacity, coordination and policy	-	-	-	-	-	-
2.2. Destination management	187,809	187,809	187,809	187,809	-	-
Component 3: Investment in tourism-related infrastructure & linkages at destination	3,369,226	3,369,226	3,369,226	3,369,226	-	-
3.1 Infrastructure investments	977,444	977,444	977,444	977,444	-	-
3.2.1 Soft-infrastructure grants	1,319,125	1,319,125	1,319,125	1,319,125	-	-
3.2.2 Matching grants	1,072,657	1,072,657	1,072,657	1,072,657	-	-
Component 4: Strengthening project management	392,301	1,063,049	392,301	1,063,049	-	-
Front end fee	-	-	-	-	-	-
Total uses of funds	3,949,336	4,620,084	3,949,336	4,620,084		
Balance	(415,905)	-	-	-	-	-
Bank balances, at beginning of the period	2,887,522	-	-	-	-	-
Bank balances, at end of the period	2,471,617	-	-	-	-	-

The Project’s Financial Statements have been approved by the Cabinet on 15 July 2020 and signed on its behalf by:

Dr. Dragi Raskovski
 Secretary General of the Government of
 Republic of North Macedonia

Antonia Sisak
 Project Director

Stojance Mitovski
 Financial Management
 Specialist

Financial Statements
 For the period from 1 January 2019 to 31 December 2019

Statement of Uses of Funds by Project Activity

	(Amounts in EUR)					
	Actual		Planned		Variance	
	Current period	Cumulative to Date	Current period	Cumulative to Date	Current period	Cumulative to Date
For the period from 1 January 2019 to 31 December 2019						
Component 2: Strengthening destination management & enabling environment						
2.1 Central level capacity, coordination & policy						
2/1 Training in public private dialogue and tourism development	-	-	-	-	-	-
2/2 Design of software for data gathering	-	-	-	-	-	-
2/3 Equipment for data gathering system	-	-	-	-	-	-
2/4 Technical assistance (TA) for implementation of business licensing reforms	-	-	-	-	-	-
2/5 TA for implementation of standards improvement	-	-	-	-	-	-
2/6 TA for regulatory simplification and design of platform for electronic issuing of licenses and permits in tourism	-	-	-	-	-	-
-Payments without contract	-	-	-	-	-	-
2.2 Destination management						
2/7 TA on destination Management: Study tours (several)	-	-	-	-	-	-
2/7-1 TA on Destination Management: Stakeholder mapping; Design of structured PPD platform and process; Training on Destination Management; Development of toolkits and manuals	127,585	127,585	127,585	127,585	-	-
2/7-1.1 Study Tour	53,336	53,336	53,336	53,336	-	-
2/8 Design of software to support destination management	-	-	-	-	-	-
2/9 Equipment to support destination management (computers, office furniture, others)	-	-	-	-	-	-
2/10 Annual survey of the project's impact on beneficiaries and local economies	6,888	6,888	6,888	6,888	-	-
Payments without contract	-	-	-	-	-	-
Sub-total Component 2	187,809	187,809	187,809	187,809	-	-
Component 3: Investment in tourism-related infrastructure & linkages at destination						
3.1 Infrastructure investments	977,444	977,444	977,444	977,444	-	-
3.2.1 Soft-infrastructure grants	1,319,125	1,319,125	1,319,125	1,319,125	-	-
3.2.2 Matching grants	1,072,657	1,072,657	1,072,657	1,072,657	-	-
Payments without contract	-	-	-	-	-	-
Sub-total Component 3	3,369,226	3,369,226	3,369,226	3,369,226	-	-

Financial Statements

For the period from 1 January 2019 to 31 December 2019

Statement of Uses of Funds by project activity (continued)

(Amounts in EUR)

	For the period from 1 January 2019 to 31 December 2019					
	Actual		Planned		Variance	
	Current period	Cumulative to Date	Current period	Cumulative to Date	Current period	Cumulative to Date
Component 4: Strengthening Project Management						
4/1 PIU Director Contract No. LRCP-IC-4/1	29,400	106,467	29,400	106,467	-	-
4/2 FM Specialist Contract No. LRCP-IC-4/2	21,599	61,682	21,599	61,682	-	-
4/2-2 Financial Assistant Contract No. LRCP-IC-4/2-2	14,400	19,200	14,400	19,200	-	-
4/3 Procurement Specialist Contract No. LRCP-IC-4/3	21,599	66,812	21,599	66,812	-	-
4/3-2 Procurement Specialist No. LRCP-IC-4/3-2	21,599	30,599	21,599	30,599	-	-
4/5 Civil Engineer Contract No. LRCP-IC-4/4	21,599	72,179	21,599	72,179	-	-
4/5 Civil Engineer Contract No. LRCP-IC-4/5-1	1,800	1,800	1,800	1,800	-	-
4/6 Architect and Cultural Heritage Specialist	14,400	21,273	14,400	21,273	-	-
4/7 Tourism Development Specialist Contract No. LRCP-IC-4/7	21,600	81,965	21,600	81,965	-	-
4/8 Regional Development Specialist Contract No. LRCP-IC-4/8	21,600	81,966	21,600	81,966	-	-
4/9 Architect Expert	3,470	4,270	3,470	4,270	-	-
4/9-1 Architect Expert	3,220	4,100	3,220	4,100	-	-
4/10 Skills Expert	4,400	5,440	4,400	5,440	-	-
4/10-1 Skills Expert	3,740	4,820	3,740	4,820	-	-
4/11 Civil Engineer Expert	3,173	3,799	3,173	3,799	-	-
4/11-1 Civil Engineer Expert	2,090	2,610	2,090	2,610	-	-
4/11-1/1 Business Development Expert	4,730	6,970	4,730	6,970	-	-
4/11-1/2 Business Development Expert	4,020	4,940	4,020	4,940	-	-
4/11-2/1 Tourism Expert	5,110	6,630	5,110	6,630	-	-
4/11-2/2 Tourism Expert	4,240	6,656	4,240	6,656	-	-
4/12 M&E and Communication Specialist Contract No. LRCP-IC-4/12	14,400	28,513	14,400	28,513	-	-
4/13 Environmental Specialist Contract No. LRCP-IC-4/13	14,400	48,120	14,400	48,120	-	-
4/13-1 Environmental Assistant Contract No. LRCP-IC-4/13-1	8,900	8,900	8,900	8,900	-	-
4/14 Procurement Officer Contract No. LRCP-IC-4/14	-	34,243	-	34,243	-	-
4/14-1 Procurement Officer Contract No. LRCP-IC-4/14-1	13,199	17,999	13,199	17,999	-	-
4/15 Administrative / assistant / operative / translator Contract No. LRCP-IC-4/15	10,800	39,717	10,800	39,717	-	-
4/16 Financial/accounting Software and support and maintenance for the project duration	-	3,353	-	3,353	-	-
4/17 Office equipment (computers, furniture)	8,015	40,140	8,015	40,140	-	-
4/18 Project Vehicle	-	25,150	-	25,150	-	-
4/19 Training for PIU staff	-	-	-	-	-	-
4/20 Project audit	5,063	7,595	5,063	7,595	-	-
4/21 Visibility and Promotional Campaign	45,183	47,069	45,183	47,069	-	-
4/22 Operational cost	44,035	167,416	44,035	167,416	-	-
Petty cash	517	656	517	656	-	-
Payments without contract	-	-	-	-	-	-
Sub-total Component 4	392,301	1,063,049	392,301	1,063,049	-	-
Front end fee	-	-	-	-	-	-
Total Project Expenditures	3,949,336	4,620,084	3,949,336	4,620,084	-	-

Financial Statements
For the period from 1 January 2019 to 31 December 2019

Balance sheet

In EUR	31 December 2019	31 December 2018
Assets		
Bank balances	2,471,617	2,887,522
Total assets	2,471,617	2,887,522
Funds and liabilities		
Unspent funds	2,471,617	2,887,522
Total Fund and liabilities	2,471,617	2,887,522

Financial Statements

For the period from 1 January 2019 to 31 December 2019

Statement of Breakdown of Loans and Grants

(Amounts in EUR)

Cumulative for the period from 28 July 2016 through 31 December 2019

Contract details										
Grant No.	Approved Grant /Contract Amount	LRCP Grant	Beneficiary in cash contribution	Beneficiary in kind contribution	Transfer/eligible payments by LRCP and national contribution	Transfer by Beneficiary-cash contribution	Actual Costs	Opening Balance at the beginning of the period-Beneficiary Account	Closing Balance at the end of the period-Beneficiary Account	
Component 3: Investment in tourism-related infrastructure & linkages at destinations										
3.1 Infrastructure investments										
Municipality of Krusevo	LRCP-1/17-SG/1	496,765	429,715	35,032	32,018	285,201	32,686	309,495	-	8,392
Municipality of Vevcani	LRCP-1/17-SG/2	985,604	838,089	4,927	142,588	258,820	-	258,820	-	-
Municipality of Bosilovo	LRCP-1/17-SG/3	66,228	58,704	7,524	-	47,959	7,465	55,424	-	-
Municipality of Cair	LRCP-1/17-SG/4	572,199	505,941	66,258	-	-	-	-	-	-
Municipality of Karbinci	LRCP-1/18-SG/20	426,953	381,965	16,507	28,481	77,951	6,107	77,951	-	6,107
Municipality of Centar Zupa	LRCP-1/18-SG/19	227,574	204,816	22,758	-	-	-	-	-	-
Municipality of Negotino	LRCP-1/18-SG/22	256,762	215,531	30,903	10,328	787	27,768	28,555	-	-
Municipality of Karpos	LRCP-1/18-SG/31	906,718	770,620	119,785	16,313	37,572	-	37,572	-	-
Municipality of Bitola	LRCP-1/18-SG/30	959,096	863,187	95,909	-	1,345	96,087	1,346	-	96,086

Financial Statements

For the period from 1 January 2019 to 31 December 2019

Statement of Breakdown of Loans and Grants (continued)

Contract details						Cumulative for the period from 28 July 2016 through 31 December 2019				
						Transfer/eligible payments by LRCP and national contribution	Transfer by Beneficiary-cash contribution	Actual Costs	Opening Balance at the beginning of the period-Beneficiary Account	Closing Balance at the end of the period-Beneficiary Account
Grant No.	Approved Grant /Contract Amount	LRCP Grant	Beneficiary in cash contribution	Beneficiary in kind contribution						
Municipality of Konce	LRCP-1/18-SG/23	290,041	256,815	23,203	10,023	200,891	-	200,891	-	-
Municipality of Veles	LRCP-1/18-SG/34	1,010,964	905,477	82,366	23,121	1,430	82,469	1,430	-	82,469
Municipality of Kocani	LRCP-1/18-SG/33	595,422	528,867	21,491	45,064	-	2,942	-	-	2,942
Municipality of Dojran	LRCP-1/18-SG/38	639,669	537,194	82,181	20,294	-	-	-	-	-
Municipality of Strumica	LRCP-1/18-SG-50	721,630	606,169	115,461	-	-	-	-	-	-
Municipality of Kicevo	LRCP-1/18-SG/37	653,763	575,312	63,247	15,204	5,960	-	5,960	-	-
Museum of city of Skopje	LRCP-1/17-SG/43	904,048	752,811	-	151,237	-	-	-	-	-
Sub-total 3.1	-	9,713,436	8,431,213	787,552	494,671	917,916	255,524	977,444	-	195,996
3.2.1 Linkages and innovation grants										
Soft-infrastructure grants										
Beneficiary Hotel Arka	LRCP-1/18-SG-10	124,475	62,237	62,238	-	62,352	62,431	112,940	-	11,843
Beneficiary Hotel Pela	LRCP-1/18-SG-11	215,233	100,444	114,789	-	100,632	115,112	215,744	-	-
Beneficiary Popova Kula Winery	LRCP-1/18-SG-13	200,000	100,000	100,000	-	100,186	100,276	200,462	-	-
Beneficiary Euro Hotel Gradce	LRCP-1/18-SG-14	162,103	81,051	81,052	-	-	-	-	-	-
Beneficiary Lazar Winery	LRCP-1/18-SG-15	200,671	100,335	100,336	-	100,474	100,627	201,101	-	-

Financial Statements

For the period from 1 January 2019 to 31 December 2019

Statement of Breakdown of Loans and Grants (continued)

(Amounts in EUR)

Cumulative for the period from 28 July 2016 through 31 December 2019

Contract details						Cumulative for the period from 28 July 2016 through 31 December 2019				
Grant No.	Approved Grant /Contract Amount	LRCP Grant	Beneficiary in cash contribution	Beneficiary in kind contribution	Transfer/eligible payments by LRCP and national contribution	Transfer by Beneficiary-cash contribution	Actual Costs	Opening Balance at the beginning of the period-Beneficiary Account	Closing Balance at the end of the period-Beneficiary Account	
Beneficiary Hotel Arena	LRCP-1/18-SG-16	165,560	82,780	82,780	-	82,934	84,995	153,110	-	14,819
Beneficiary Agropolog	LRCP-1/18-SG-25	77,652	38,826	38,826	-	38,899	39,082	77,981	-	-
Beneficiary In Travel	LRCP-1/18-SG-24	72,765	36,383	36,382	-	36,424	37,163	73,587	-	-
Beneficiary Hotel Montenegro	LRCP-1/18-SG-26	56,218	28,109	28,109	-	28,134	28,189	56,319	-	4
Beneficiary Podgorski An	LRCP-1/18-SG-28	488,548	242,515	246,033	-	-	57,989	57,679	-	310
Beneficiary Global DVD	LRCP-1/18-SG-32	239,207	92,432	146,775	-	-	76,231	43,187	-	33,044
Beneficiary Bashoman L&S	LRCP-1/18-SG-27	168,026	84,013	84,013	-	-	-	-	-	-
Beneficiary Ski Centar Mavrovo	LRCP-1/18-SG-42	519,538	259,769	259,769	-	-	-	-	-	-
Beneficiary Tikvesh	LRCP-1/18-SG-35	316,173	148,777	167,396	-	-	167,711	127,015	-	40,696
Beneficiary Hotel Teatar Bitola	LRCP-1/18-SG-36	33,216	16,608	16,608	-	-	-	-	-	-
Beneficiary Stobi	LRCP-1/18-SG-47	77,516	38,758	38,758	-	-	-	-	-	-
Sub-total 3.2.1	-	3,116,901	1,513,037	1,603,864	-	550,035	869,806	1,319,125	-	100,716
3.2.2 Matching grants										
Beneficiary Krste Jon	LRCP-1/17-SG-4	272,834	245,545	27,289	-	172,192	27,340	189,560	-	9,972
Beneficiary Macedonian Adventure Discipline	LRCP-1/18-SG-1	55,873	50,163	5,710	-	50,256	11,392	61,648	-	-

Financial Statements

For the period from 1 January 2019 to 31 December 2019

Statement of Breakdown of Loans and Grants (continued)

(Amounts in EUR)
 Cumulative for the period from 28 July 2016 through 31 December 2019

Contract details										
Grant No.	Approved Grant /Contract Amount	LRCP Grant	Beneficiary in cash contribution	Beneficiary in kind contribution	Transfer/eligible payments by LRCP and national contribution	Transfer by Beneficiary-cash contribution	Actual Costs	Opening Balance at the beginning of the period-Beneficiary Account	Closing Balance at the end of the period-Beneficiary Account	
Beneficiary Malesevska Korija	LRCP-1/18-SG-2	52,248	47,023	5,225	-	47,110	5,238	52,348	-	-
Beneficiary Polar	LRCP-1/18-SG-3	137,979	115,902	22,077	-	116,118	22,185	138,303	-	-
Beneficiary Dzeben Vodica	LRCP-1/18-SG-4	44,005	39,274	4,731	-	39,348	4,740	44,088	-	-
Beneficiary Serpa	LRCP-1/18-SG-5	57,688	48,458	9,230	-	48,537	9,381	57,918	-	-
Beneficiary Youth Forum for Cooperation	LRCP-1/18-SG-6	55,179	49,661	5,518	-	49,755	5,750	55,505	-	-
Beneficiary Sojuz na Stopanski Komori	LRCP-1/18-SG-7	83,112	74,580	8,532	-	52,285	8,549	16,175	-	44,659
Beneficiary Sojuz na izvidnici na Makedonija	LRCP-1/18-SG-8	49,950	44,955	4,995	-	13,512	5,004	15,727	-	2,789
Beneficiary NAITAM	LRCP-1/18-SG-9	65,047	49,884	15,163	-	49,973	15,271	65,244	-	-
Beneficiary Aero Klub Skopje	LRCP-1/18-SG-12	42,019	37,817	4,202	-	37,888	4,373	42,261	-	-
Beneficiary ALBIZ	LRCP-1/18-SG-17	68,355	61,519	6,836	-	61,629	6,889	68,518	-	-
Beneficiary ALKA	LRCP-1/18-SG-18	93,197	83,868	9,329	-	84,002	9,346	71,154	-	22,194
Beneficiary Mustseedonia	LRCP-1/18-SG-21	135,545	121,990	13,555	-	85,556	14,039	99,580	-	15
Beneficiary Finance think	LRCP-1/18-SG-29	99,975	89,977	9,998	-	86,855	10,016	94,628	-	2,243
Sub-total 3.2.2	-	1,313,006	1,160,616	152,390	-	995,016	159,513	1,072,657	-	81,872
Sub-total 3.2	-	4,429,907	2,673,653	1,756,254	-	1,545,051	1,029,319	2,391,782	-	182,588
Total	-	14,143,343	11,104,866	2,543,806	494,671	2,462,967	1,284,843	3,369,226	-	378,584

Statement of Withdrawals – Designated Account

(Amounts in EUR)

For the period from 1 January 2019 to 31 December 2019

Application # and date	Total Requested	Total Disbursed	Difference
IBRD Grant TF0A1779			
#5 Application / 20.06.2019	691,217	691,217	-
#6 Application / 14.10.2019	1,054,128	1,054,128	-
	1,745,345	1,745,345	-

(Amounts in EUR)

For the period from 1 January 2018 to 31 December 2018

Application # and date	Total Requested	Total Disbursed	Difference
IBRD Grant TF0A1779			
#4 Application / 07.09.2018	340,357	340,357	-
	340,357	340,357	-

Statement of Designated Account – EUR

Account number	00 701 0001585.2
Depository Bank	National Bank of the Republic of North Macedonia
Address	Complex of Banks, 1000 Skopje, Republic of North Macedonia
Grant Number	TF0A1779
Currency	EUR

(Amounts in EUR)
For the period from 1 January 2019 to 31 December
2019

At 1 January 2019	2,887,281
<hr/>	
Add: Inflows	
Replenishment during the period	1,745,345
Interest received	-
	<hr/>
	1,745,345
Deduct: Outflows	
Transfer to treasury account (Mirror designated account) - MKD	(2,539,172)
Transfer to treasury account (Mirror designated account) – MKD for Petty cash in EUR	(2,230)
	<hr/>
	(2,541,402)
At 31 December 2019	2,091,224

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

At 1 January 2018	2,861,648
<hr/>	
Add: Inflows	
Replenishment during the period	340,357
Interest received	-
	<hr/>
	340,357
Deduct: Outflows	
Transfer to treasury account (Mirror designated account) - MKD	(314,724)
	<hr/>
	(314,724)
At 31 December 2018	2,887,281

Statement of Treasury Account (Mirror Designated Account) – MKD

Account number	100000000063095
Depository Bank	National Bank of the Republic of North Macedonia
Address	Complex of Banks, 1000 Skopje, Republic of North Macedonia
Grant Number	TFOA1779
Currency	Macedonian Denars (“MKD”)

(Amounts in EUR)
For the period from 1 January 2019 to 31 December 2019

At 1 January 2019	60
Add: Inflows	
Transfer from designated account – EUR	2,539,172
Transfer from designated account – EUR for Petty cash in EUR	2,230
	2,541,402
Deduct: Outflows	
Amount of eligible expenses paid during the period	(577,364)
Transfers to Beneficiaries special accounts	(1,959,724)
Transfer to Petty Cash in EUR	(2,230)
Transfer to Petty Cash in MKD	(490)
	(2,539,808)
At 31 December 2019	1,654

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

At 1 January 2018	896
Add: Inflows	
Transfer from designated account – EUR	314,724
	314,724
Deduct: Outflows	
Amount of eligible expenses paid during the period	(314,906)
Transfer to Petty Cash in MKD	(654)
	(315,560)
At 31 December 2018	60

Statement of Petty Cash in EUR

(Amounts in EUR)
For the period from 1 January 2019 to 31 December
2019

At 1 January 2019	-
<hr/>	
Add: Inflows	
Transfer from Mirror Designated Account – MKD	2,230
	2,230
Deduct: Outflows	
Amount of eligible expenses paid during the period	(2,230)
	(2,230)
At 31 December 2019	-

There were no activities on Petty Cash in EUR Account for the Project during 2018.

Statement of Petty Cash in MKD

Grant Number TF0A1779
Currency Macedonian Denars (“MKD”)

(Amounts in EUR)
For the period from 1 January 2019 to 31 December
2019

At 1 January 2019	181
<hr/>	
Add: Inflows	
Transfer from Mirror Designated Account – MKD	490
	490
Deduct: Outflows	
Amount of eligible expenses paid during the period	(516)
	(516)
At 31 December 2019	155

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

At 1 January 2018	-
<hr/>	
Add: Inflows	
Transfer from Mirror Designated Account – MKD	654
	654
Deduct: Outflows	
Amount of eligible expenses paid during the period	(473)
	(473)
At 31 December 2018	181

Statement of Special Accounts of Beneficiaries – MKD

Grant Number TF0A1779
Currency Macedonian Denars (“MKD”)

(Amounts in EUR)
For the period from 1 January 2019 to 31 December
2019

At 1 January 2019	-
Add: Inflows	
Transfers by LRCP	1,959,724
Transfers by national contribution	503,243
Transfers by Beneficiaries-cash contribution	1,284,843
	3,747,810
Deduct: Outflows	
Amount of eligible expenses paid during the period (Actual costs)	(3,369,226)
	(3,369,226)
At 31 December 2019	378,584

There were no activities on Special Accounts of Beneficiaries for the Project during 2018.

Notes to Project’s financial statements

1 General

On 14 January 2016, the Cabinet of the Deputy Minister of Economic Affairs and Coordination of Economic Departments (“the Cabinet” or “the Recipient”), entered into the Grant Agreement numbered TF0A1779 with the International Bank for Reconstruction and Development (“IBRD”) for financing the “Local and Regional Competitiveness Project” (further referred to as “the Project”) in the amount of EUR 21,664,925.

The objectives of the Project are to: (i) to enhance the contribution of tourism to local economic development; and (ii) improve the capacity of the Recipient’s government and public entities to foster tourism growth and facilitate destination management.

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

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

Category	Amount of the Grant Allocated (expressed in Euro)	National Contribution	Beneficiaries’ Contribution	Percentage of the Expenditures to be Financed (exclusive of Taxes, other than personal income taxes)
1. Goods, operating costs, training, non-consulting services, and consultants’ services under Component 2 and 4 of the Project	2,500,000	-	-	100%
2. Subprojects under Component 3 of the Project	13,260,000	3,176,471	2,728,454	100%
Total	15,760,000	3,176,471	2,728,454	

The Closing Date of the Project was 31 December 2019. At 31 October 2019 the IBRD sent to the Ministry of Finance of the Republic of North Macedonia the extension letter for extending the Closing date of the Project until 31 December 2020.

2 Project Objectives, Activities and Institutional Arrangements

Project Objectives and Activities

The Project consists of four components:

Component 1: Technical assistance for tourism development (Bank-executed)

Provision of technical assistance to (i) improve the capacity of public and private stakeholders in supporting tourism development at the national level in a number of areas, including, inter alia, institutional coordination, data usage, and business environment; and (ii) support the Recipient-executed activities under Components 2, 3 and 4 of the Project.

Component 2: Strengthening destination management and enabling environment

2.1: Strengthening the Recipient’s institutional capacity and coordination at the central governmental level through, inter alia: (i) carrying out of training in public-private dialogue and tourism development; (ii) supplying software systems and equipment to implement improvements in data-and information-gathering; and (iii) provision of technical assistance.

2.2: Developing destination management capacity of key stakeholders (including, inter alia, tour operators, municipalities, centers for regional development, NGOs, skills development institutions, national parks authorities) in selected locations within the Recipient’s territory, through the provision of technical assistance, training, equipment and software systems, all in accordance with the relevant criteria set forth in the Project Operations Manual.

Component 3: Investment in tourism-related infrastructure and linkages at destinations

3.1: Provision of technical assistance and financing to selected infrastructure Subprojects that are aimed to improve the physical condition, access and marketing of touristic local attractions, cultural and natural heritage sites.

3.2: Provision of financing to selected non-infrastructure Subprojects (relating to, inter alia, promotional activities, capacity building and technological innovation in connection with tourism products and services) aimed to enhance tourism service-delivery and benefit local economies.

Component 4: Strengthening project management

Improving the institutional capacity of the PIU through the provision of consultant services, training, goods, and operating costs associated with the implementation, monitoring and evaluation of the Recipient-executed activities under Component 2, 3 and 4 of the Project.

Institutional Arrangements

Throughout the duration of the Project, the Recipient shall maintain the PIU with a composition, adequate staff and resources, functions and responsibilities (including the responsibility to manage, coordinate, monitor and evaluate the implementation of the Project) satisfactory to the World Bank.

The Recipient 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 grant received for the completion of the Project’s objectives, in accordance with the respective provisions set out in the Grant Agreement numbered TF0A1779 signed between the IBRD and the Cabinet of the Deputy Prime Minister for Economic Affairs and Coordination of Economic Departments. 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 Grant Agreement numbered TF0A1779 dated 14 January 2016.

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

The financial statements have been prepared for the period from 1 January 2019 through 31 December 2019.

Currency translation

Project’s financial statements are kept in Euro as this is the reporting currency of the Project. Transactions denominated in currencies other than Euro are translated using the buying foreign exchange rates of the National Bank of the Republic of North Macedonia for international payment operations of the government bodies of Republic of North Macedonia by which each instalment of EUR is transferred to Denar account in bank, until that Denar amount is spent.



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