

Project's Financial Statements and Independent Auditor's Report

Ministry of Education and Science of the Republic of North
Macedonia

"Primary Education Improvement Project"-
International Bank for Reconstruction and
Development Loan number 9182-MK

For the period from 1 January 2022 through
31 December 2022



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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-MoES, Statement of Breakdown of Loans and Grants, Statement of Withdrawals, Designated Accounts' Statements and related disclosure Notes (further referred as to "Project's Financial Statements"), of the Ministry of Education and Science of the Republic of North Macedonia ("the Ministry" or "MoES"), "Primary Education Improvement Project" (further referred to as "the Project"), financed under International Bank for Reconstruction and Development Loan ("IBRD") numbered 9182-MK as at and for the period from 1 January 2022 to 31 December 2022 included on pages 3 to 19, 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 IBRD, in conformity with the accounting policies described on Note 3, 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 9182-MK dated 20 April 2021.

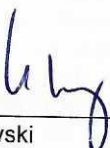
Project's management, in furtherance of the integrity and objectivity of the Project's financial statements, has developed and maintained an internal control structure, including the appropriate control environment, accounting systems and control procedures. Project's management believes that internal 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 auditing standards accepted in the Republic of North Macedonia¹. Their report is included on page 2.

14 June 2023



Doc. Dr. Jeton Shaqiri
Minister of Education and
Science



Igor Krstevski
Project Director



Aleksandra Davitkovska
Financial Manager

Independent Auditor's Report

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To the Management of the Project

We have audited the accompanying financial statements of the Ministry of Education and Science of the Republic of North Macedonia ("the Ministry" or "MoES"), "Primary Education Improvement Project" (further referred to as "the Project"), financed under International Bank for Reconstruction and Development, Loan numbered 9182-MK, comprising the Statement of Sources and Uses of Funds, Statement of Uses of Funds by Project Activity-MoES, Statement of Breakdown of Loans and Grants, Statement of Withdrawals, Designated Accounts' Statements and related disclosure Notes (further referred to as "Project's Financial Statements") as at and for the period from 1 January 2022 to 31 December 2022 included on pages 3 to 19.

Management's responsibility for Project's financial statements

These Project's financial statements are compiled for the purposes of reporting to the Ministry and the International Bank of Reconstruction and Development 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 accounting policies described in Note 3, 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 9182-MK dated 20 April 2021. 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. 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 "Primary Education Improvement Project", financed under International Bank for Reconstruction and Development, Loan numbered 9182-MK, present fairly, in all material respects, the Project's financial position as at 31 December 2022, and the Statement of Sources and Uses of Funds, Statement of Uses of Funds by Project Activity-MoES, Statement of Breakdown of Loans and Grants, Statement of Withdrawals, Designated Accounts' Statements as at and for the period from 1 January 2022 to 31 December 2022, in conformity with the accounting policies described on Note 3, 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 9182-MK dated 20 April 2021.

Suzana Stavrikj
Director
Grant Thornton DOO, Skopje



Biljana Mitrevska
Certified Auditor



Skopje, 15 June 2023

Statement of Sources and Uses of Funds

	(Amounts in EUR)					
	For the period from 01 January 2022 to 31 December 2022					
	Actual		Planned		Variance	
	Current period	Cumulative to date	Current period	Cumulative to date	Current period	Cumulative to date
Sources of funds						
World bank DA (Designated Account-Ministry of Education and Science)	3,907,691	7,702,018	3,907,691	3,907,691	-	-
Interests Earned	-	-	-	-	-	-
Total sources of funds	3,907,691	7,702,018	3,907,691	3,907,691	-	-
Foreign exchange difference						
Exchange gains	120	306	-	-	120	306
Exchange losses	-	(51)	-	-	-	(51)
Foreign exchange differences, net	120	255	-	-	120	255
Uses of funds						
Financed by WB						
Component 1: Improving learning at the school level	3,267,746	5,782,365	3,267,741	5,782,544	5	(179)
Component 2: Reform of the monitoring and evaluation of the National Progress in Learning	430,470	502,021	430,473	502,453	(3)	(432)
Component 3: Enhancing Teacher, Multi-Professional Support Teams, and School Leader Competencies	51,128	80,218	51,130	80,170	(2)	48
Component 4: Sector Management, Project Management and M&E	230,588	533,173	230,587	533,442	1	(269)
Subtotal - Financed by WB	3,979,932	6,897,777	3,979,931	6,898,609	1	(832)

Ministry of Education and Science of the Republic of North Macedonia
 "Primary Education Improvement Project"
 IBRD Loan number 9182-MK

Project's Financial Statements
 For the period from 01 January 2022 to 31 December 2022

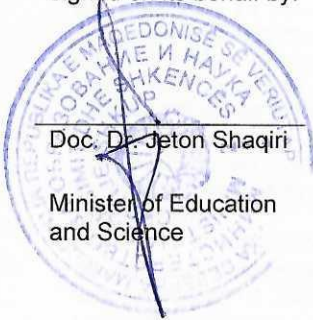
Statement of Sources and Uses of Funds (continued)

(Amounts in EUR)

For the period from 01 January 2022 to 31 December 2022

	Actual		Planned		Variance	
	Current period	Cumulative to date	Current period	Cumulative to date	Current period	Cumulative to date
Front-end fee	-	53,750	-	53,750	-	-
Total uses of funds	3,979,932	6,951,527	3,979,931	6,952,359	1	(832)
Bank balances, at beginning of the period	822,867	-	-	-	-	-
Bank balances, at end of the period	750,746	750,746	-	-	-	-

The Project's Financial Statements have been approved by the Project's management on 12 June 2023 and signed on its behalf by:



Doc. Dr. Jeton Shaqiri
 Minister of Education
 and Science


 Igor Krstevski
 Project Director


 Aleksandra
 Davitkovska
 Financial Manager

Statement of Uses of Funds by Project Activity - MoES

	(Amounts in EUR)					
	For the period from 01 January 2022 to 31 December 2022					
	Actual		Planned		Variance	
	Current period	Cumulative to Date	Current period	Cumulative to Date	Current period	Cumulative to Date
Component 1: School Grants and School Improvement Plans						
Sub component 1.1 School Grants and School Improvement Plans						
Contract 1: TA for revision of school improvement framework, functional analysis and design and rollout of school grant program	17,288	17,288	17,288	17,288	-	-
Contract 2: Primary Education Coordinator		10,003		10,000	-	3
Contract 3: Primary Education Coordinator School Grants	1,925	1,925	1,925	1,925	-	-
Contract 1: Grants Coordinator	22,500	37,441	22,499	37,499	1	(58)
Contract 2: Grants Financial Officer	13,049	13,049	13,032	13,032	17	17
Sub component 1.2 Improving the Learning Environment						
Contract 1: Preparation of designs for upgrade of the physical learning environment	189,660	189,660	189,659	189,659	1	1
Contract 2: School Infrastructure Specialist	22,420	37,325	22,419	37,369	1	(44)
Contract 3: Architect	17,611	29,363	17,609	29,309	2	54
Contract 4: Architect	17,709	29,514	17,712	29,552	(3)	(38)
Contract 5: School Infrastructure Assistant	6,524	6,524	6,524	6,524	-	-
Contract 6: Procurement of network infrastructure for primary schools	285,359	285,359	285,358	285,358	1	1
Contract 7: Procurement of ICT equipment of primary schools	-	1,038,139	-	1,038,140	-	(1)
Contract 8: Procurement of school furniture for primary schools	373,306	1,237,474	373,312	1,237,512	(6)	(38)
Contract 9: Procurement of science laboratories equipment and resources for primary schools	1,525,270	1,606,186	1,525,270	1,606,190	-	(4)
Contract 10: Printing of learning materials	108,280	108,280	108,280	108,280	-	-
Contract 11: Procurement of Interactive Boards for Primary Schools	-	43,100	-	43,100	-	-
Contract 12: Design and Development of Interactive Digital Educational Materials for Languages and History Curricula	-	192,182	-	192,190	-	(8)
Contract 13: Development of Interactive Materials for Mathematics and Natural sciences	-	222,008	-	222,050	-	(42)
Contract 14: Digital Learning Coordinator	2,200	6,600	2,200	6,600	-	-
Contract 15: Curriculum and Instructional Specialist in Mathematics for Primary Education	7,182	7,704	7,178	7,698	4	6
Contract 16: Curriculum and Instructional Specialist in Society for Primary Education	5,419	5,974	5,419	5,969	-	5

Project's Financial Statements
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Statement of Uses of Funds by Project Activity (continued)

	(Amounts in EUR)					
	For the period from 01 January 2022 to 31 December 2022					
	Actual		Planned		Variance	
	Current period	Cumulative to Date	Current period	Cumulative to Date	Current period	Cumulative to Date
Contract 17: Curriculum and Instructional Specialist in Natural Science for Primary Education	6,270	6,727	6,271	6,721	(1)	6
Contract 18: Preparation, printing and distribution of learning materials for primary education	532,478	532,478	532,478	532,478	-	-
Sub component 1.3 Promoting accountability through information sharing	-	-	-	-	-	-
Contract 1: Procurement of office equipment	-	4,766	-	4,800	-	(34)
Contract 2: Procurement of hardware for MoES	105,232	105,232	105,231	105,231	1	1
Contract 3: Individual consultant for system support and management of MoES hardware and software infrastructure	8,064	8,064	8,077	8,070	(13)	(6)
Sub-totals	3,267,746	5,782,365	3,267,741	5,782,544	5	(179)
Component 2: Reform of the Monitoring and Evaluation of the National Progress in Learning						
Sub component 2.1 Development of a National Assessment Program						
Contract 1: Technical assistance and strengthening the NEC and MoES capacities for development and implementation of NAP and training for data analysis and reporting following international standards						
	311,563	311,563	311,563	311,563	-	-
Contract 2: Administrative Assistant for NEC	7,415	14,670	7,416	15,166	(1)	(496)
Contract 3: Coordinator for National Assessment	22,468	37,479	22,468	37,418	-	61
Contract 4: Operating costs for NEC - Membership in international organizations 2022 PISA	48,000	48,000	48,000	48,000	-	-
Sub component 2.2 Maximizing use of NAP results at the Ministerial and School Level						
Contract 1: Procurement of laptop computers for NEC						
	-	49,285	-	49,280	-	5
Contract 2: IT specialist for NEC	21,377	21,377	21,379	21,379	(2)	(2)
Contract 3: IT assistant for NEC	19,647	19,647	19,647	19,647	-	-
	430,470	502,021	430,473	502,453	(3)	(432)
Component 3: Enhancing Teacher, Multi-Professional Support Teams, and School Leader Competencies						
Sub component 3.1 Implementing Teacher, Multi-Professional Support Teams, and School Leader standards						
Contract 1: Coordinator for professional development						
	13,375	29,491	13,378	29,488	(3)	3
Contract 2: Career development specialist	12,506	19,797	12,506	19,756	-	41
Sub component 3.2 Modernizing In-service Professional Development						
Contract 1: TA for Modernizing INSET						
	-	-	-	-	-	-
Contract 2: Consultant for improvement of the design of the INSET provision and implementation of professional development program for teachers						
	3,000	3,000	3,000	3,000	-	-
Contract 3: Operating cost for BDE related to modernizing INSET						
	-	-	-	-	-	-
Contract 4: Training of teachers and MPST						
	-	-	-	-	-	-
Contract 5: Procurement of software for BDE						
	-	-	-	-	-	-

Ministry of Education and Science of the Republic of North Macedonia
 "Primary Education Improvement Project"
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Project's Financial Statements
 For the period from 01 January 2022 to 31 December 2022

Contract 6: IT Specialist for the Bureau of Development of Education	10,245	10,245	10,244	10,244	1	1
Sub component 3.3. Introducing changes to Pre-service and new Teacher Selection	-	-	-	-	-	-
Contract 1: Administrative Officer for teacher pre-service training for the needs of the BDE	12,002	17,685	12,002	17,682	-	3

Sub-total	51,128	80,218	51,130	80,170	(2)	48
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Component 4: Sector Management, Project Management and M&E

Sub component 4.1 Improving evidence based sector management

Contract 1: Improving cost efficiency in primary and secondary education	-	169,110	-	169,110	-	-
Sub component 4.2 Project management, Monitoring and Evaluation	-	-	-	-	-	-
Contract 1: Project Director	26,886	44,756	26,889	44,799	(3)	(43)
Contract 2: Procurement Specialist	22,469	37,403	22,462	37,372	7	31
Contract 3: Financial Specialist	22,203	36,953	22,203	37,003		(50)
Contract 4: Coordinator for processing and analyzing data	3,400	13,943	3,400	13,940	-	3
Contract 5: Monitoring and Evaluation Specialist	22,598	37,625	22,593	37,643	5	(18)
Contract 6: IT Consultant	18,254	36,465	18,251	36,491	3	(26)
Contract 7: IT Specialist	22,468	37,399	22,477	37,377	(9)	22
Contract 8: Social Specialist	8,163	12,757	8,163	12,733	-	24
Contract 10: Citizen engagement consultant	7,354	14,670	7,355	14,655	(1)	15
Contract 11: FM Software maintenance	12,554	12,554	12,547	12,547	7	7
Contract 12: Project Audit	5,000	5,000	5,000	5,000	-	-
Contract 13: Legal Adviser	2,496	2,496	2,496	2,496	-	-
Contract 14: Expert in measuring the teaching practices (TEACH)	20,936	20,936	20,936	20,936	-	-
Contract 15: Data collection for measuring the teaching practices in primary education	8,442	8,442	8,442	8,442	-	-
Training for PMU	2,335	3,331	2,336	3,331	(1)	-
Payments without contract	-	-	-	-	-	-

Ministry of Education and Science of the Republic of North Macedonia
 "Primary Education Improvement Project"
 IBRD Loan number 9182-MK

Project's Financial Statements
 For the period from 01 January 2022 to 31 December 2022

Statement of Uses of Funds by Project Activity (continued)

	(Amounts in EUR)					
	For the period from 01 January 2022 to 31 December 2022					
	Actual		Planned		Variance	
	Current period	Cumulative to Date	Current period	Cumulative to Date	Current period	Cumulative to Date
Operating Cost for the PMU	23,137	36,532	23,139	36,539	(2)	(7)
Operating costs: Bank provision	662	896	663	893	(1)	3
Operating costs: Petty cash	1,231	1,905	1,235	2,135	(4)	(230)
Sub-total	230,588	533,173	230,587	533,442	1	(269)
Front and fee	-	53,750	-	53,750	-	-
Total	3,979,932	6,951,527	3,979,931	6,952,359	1	(832)

Statement of Breakdown of Loans and Grants

	Grant No.	Grant amount	Paid Grant amount	Remaining balance	Outstanding payments	(Amounts in EUR)
						Cumulative for the period from 1 January 2022 through 31 December 2022
						Payment requests processed (number of transactions)
Component 1 School Grants and School Improvement Plans						
Transfers (Grants) School Grants and School Improvement Plans						
Grant 1						
Remaining funds		-	-	-	-	-
Grant 2						
Remaining funds		-	-	-	-	-
Grant 3						
Remaining funds		-	-	-	-	-
Grant 4						
Remaining funds		-	-	-	-	-
Grant 5						
Remaining funds		-	-	-	-	-
Grant 6						
Remaining funds		-	-	-	-	-

Ministry of Education and Science of the Republic of North Macedonia
 "Primary Education Improvement Project"
 IBRD Loan number 9182-MK

Project's Financial Statements
 For the period from 01 January 2022 to 31 December 2022

Statement of breakdown of Loans and Grants-MoES (continued)

Grant No.	Grant amount	Paid Grant amount	Remaining balance	Outstanding payments	(Amounts in EUR)
					Cumulative for the period from 1 January 2022 through 31 December 2022 Payment requests processed (number of transactions)
Grant 7					
Remaining funds	-	-	-	-	-
Grant 8					
Remaining funds	-	-	-	-	-
Grant 9					
Remaining funds	-	-	-	-	-
Grant 10					
Remaining funds	-	-	-	-	-
Sub-Total					
Transfers (Grants) School Grants and School Improvement Plans					
Grant 11					
Remaining funds	-	-	-	-	-
Grant 12					
Remaining funds	-	-	-	-	-
Grant 13					
Remaining funds	-	-	-	-	-
Grant 14					
Remaining funds	-	-	-	-	-
Grant 15					
Remaining funds	-	-	-	-	-
Grant 16					
Remaining funds	-	-	-	-	-

Ministry of Education and Science of the Republic of North Macedonia
 "Primary Education Improvement Project"
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Project's Financial Statements
 For the period from 01 January 2022 to 31 December 2022

Grant No.	Grant amount	(Amounts in EUR)			
		Paid Grant amount	Remaining balance	Outstanding payments	Cumulative for the period from 1 January 2022 through 31 December 2022 Payment requests processed (number of transactions)
Grant 17					
Remaining funds	-	-	-	-	-
Grant 18					
Remaining funds	-	-	-	-	-
Grant 24					
Remaining funds	-	-	-	-	-
Grant 25					
Remaining funds	-	-	-	-	-
Grant 26					
Remaining funds	-	-	-	-	-
Grant 27					
Remaining funds	-	-	-	-	-
Grant 28					
Remaining funds	-	-	-	-	-
Grant 29					
Remaining funds	-	-	-	-	-
Grant 30					
Remaining funds	-	-	-	-	-
Total					

Statement of Withdrawals – Designated Accounts

(Amounts in EUR)

For the period from 1 January 2022 to 31 December 2022

Application # and date	Total Requested	Total Received	Difference
Original Loan 9182-MK			
#05 Application / 31.12.2021	677,306	677,306	-
#06 Application / 26.05.2022	1,013,131	1,013,131	-
#07 Application / 25.08.2022	833,874	833,874	-
#08 Application / 13.10.2022	1,383,680	1,383,680	-
	-	-	-
	3,907,991	3,907,991	-

Statement of Designated Account – EUR (Ministry of Education and Science)

Account number	MK 07 100701000184373
Depository Bank	National Bank of the Republic of North Macedonia
Address	Complex of Banks, 1000 Skopje, Republic of North Macedonia
Loan Number	9182-MK
Currency	EUR

(Amounts in EUR)
For the period from 1 January 2022 to 31
December 2022

At 1 January 2022	822,367
<hr/>	
Add: Inflows	
Replenishment during the period	3,907,691
	3,907,691
<hr/>	
Deduct: Outflows	
Transfer to treasury account (Mirror designated account) - MKD	(3,985,307)
Transfer to petty cash – EUR	(2,804)
	(3,988,111)
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At 31 December 2022	741,947

Statement of Treasury Account (Mirror Designated Account) – MKD (Ministry of Education and Science)

Account number	160010032978670
Depository Bank	National Bank of the Republic of North Macedonia
Address	Complex of Banks, 1000 Skopje, Republic of North Macedonia
Loan Number	9182-MK
Currency	Macedonian Denars ("MKD")

(Amounts in EUR)

For the period from 1 January 2022 to 31 December 2022

At 1 January 2022	461
Add: Inflows	
Transfer from designated account – EUR	3,985,307
Transfer to petty cash - EUR	2,804
Foreign exchange gains	120
	3,988,231
Deduct: Outflows	
Amount of eligible expenses paid during the period	(3,975,532)
Transfer to Petty Cash in MKD	(2,300)
Transfer to Petty Cash in EUR	(2,804)
Foreign exchange losses	
	(3,980,636)
At 31 December 2022	8,056

Statement of Petty Cash in MKD (Ministry of Education and Science)

Loan Number 9182-MK
Currency Macedonian Denars ("MKD")

(Amounts in EUR)
For the period from 1 January 2022 to 31
December 2022

At 1 January 2022	39
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Add: Inflows	
Transfer from Mirror Designated Account – MKD	2,300
	2,300
<hr/>	
Deduct: Outflows	
Amount of eligible expenses paid during the period	(2,064)
Foreign exchange losses	
	(2,064)
At 31 December 2022	275

Statement of Petty Cash in EUR (Ministry of Education and Science)

Loan Number 9182-MK
Currency EUR

(Amounts in EUR)
For the period from 1 January 2022 to 31 December
2022

At 1 January 2022	-
<hr/>	
Add: Inflows	
Transfer from Mirror Designated Account – EUR	2,804
<hr/>	
	-
Deduct: Outflows	
Amount of eligible expenses paid during the period	(2,336)
<hr/>	
At 31 December 2022	468

Notes to the Project’s financial statements

1 General

On 20 April 2021, the Ministry of Education and Science of the Republic of North Macedonia (“the Ministry” or “the Borrower”), entered into the Loan Agreement numbered 9182-MK with the International Bank for Reconstruction and Development (“IBRD”) for financing the “Primary Education Improvement Project” (further referred to as “the Project”) in the amount of EUR 21,500,000.

The objective of the Project is to improve conditions for learning in primary education.

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

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

Category	Amount of the Loan allocated (expressed in Euro) Revised original values	Percentage of the Expenditures to be financed (inclusive of taxes)
1. Grants	941,600	100%
2. Goods, works, non-consulting services, consulting services, Training and Operating Costs for the Project	20,504,650	100%
3. Front and Fee	53,750	Amount payable pursuant to Section 2.03 of this Agreement in accordance with Section 2.07 (b) of the General Conditions
4. Interest Rate Cap or Interest Rate Collar premium	-	Amount due pursuant to Section 4.05 (c) of the General Conditions
Total	21,500,000	

According to the provisions of the Loan Agreement, the Borrower is liable to repay the principal amount of the Loan in semi-annual installments, payable each on each March 15 and September 15. Beginning 15 March 2024 through 15 September 2031, 6.25% of the total principal amount of the Loan payable on each Principal Payment Date.

The Closing Date of the Project is 27 February 2026.

Notes to the Project's financial statements (continued)

2 Project Objectives, Activities and Institutional Arrangements

Project Objectives and Activities

1. The proposed Project Development Objective is to improve conditions for learning in primary education.
2. The proposed project will be organized around three main elements that need to be aligned to complement each other.
 - The core element (Component 1) focuses on school-level interventions, which are closest to students and most likely to affect learning while also mitigating and recovering learning losses generated by COVID-19. Component 1 will directly contribute to PDO indicator 1 on classrooms with improved learning environments. Two enabling elements are system-level reforms, which would create the necessary enabling conditions so that teachers are empowered with data on learning and up-to-date training.
 - Component 2 would develop a comprehensive National Assessment Program (NAP) to inform both school improvement planning (contributing to PDO indicator 2) and professional development programs serving to link the school and system levels.
 - Component 3 would put into practice professional competences for educators, thereby contributing to PDO indicator 3 on improved quality of teaching practices. Together, these elements will provide adequate information, tools, training, and support to create effective and improved conditions for learning (as in the PDO) that build on the schools' preexisting level of autonomy and ultimately increase student achievement.
 - Component 4 would strengthen evidence-based sector management, project management, and monitoring and evaluation (M&E), in light of the recent COVID-19 pandemic and its consequences on the sector. The legal framework for implementation of the abovementioned reform interventions was recently adopted and there is an adequate institutional setup to embed and further enhance them.

Institutional Arrangements

The PMU shall be maintained by the MoES throughout the entire duration of the project. The PMU shall be responsible for day-to-day project implementation, overall project coordination, monitoring activities, safeguards, fiduciary functions (procurement, disbursement and accounting), official communication with the WB and reporting. The PMU staff is retained for the lifetime of the Project, subject to satisfactory performance. The establishment of the PMU is supported by Loan funds and PMU staff shall work under respective TORs acceptable to the Bank and be remunerated on the basis of negotiated consultancy rates in order to avoid fluctuation of skilled staff. The PMU is built on the foundation of the SDISP PMU.

3 Accounting policies

Following are the principal accounting policies adopted in preparation of these Project's financial statements. These accounting policies are consistently applied to all financial periods presented.

Basis of preparation

The accompanying Project's 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 9182-MK signed between the IBRD and Ministry of Education and Science of the Republic of North Macedonia. These financial statements are prepared on the cash receipts and disbursement basis and include all Project - related expenditures incurred, which are financed under the provisions set out in Loan Agreement numbered 9182-MK dated 20 April 2021.

Notes to the Project’s financial statements (continued)
Accounting policies (continued)

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

The Project’s financial statements have been prepared for the period from 1 January 2022 through 31 December 2022.

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 North Macedonia for international payment operations of the government bodies of Republic of North Macedonia prevailing at the date of the transaction. Cash balances at the yearend are translated into EURO (“EUR”) using the buying foreign exchange rates of the National Bank of the Republic of North Macedonia at the balance sheet date.



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