

Report on the Federation part of the Project
Financial Statements of the

**Water and Sanitation Services
Modernization Project**

of the Ministry of Finance and Treasury of Bosnia and
Herzegovina

Financed by:

- IBRD Loan Number 93020-BA

For the period ended 31 December 2025

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WATER AND SANITATION SERVICES MODERNIZATION PROJECT
of the Ministry of Finance and Treasury of Bosnia and Herzegovina
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(all amounts in EUR, unless otherwise stated)

1. Introduction

1.1. Objectives and activities of the Project

The objective of the Water and Sanitation Services Modernization Project (the "Project") is to support Bosnia and Herzegovina to: (i) strengthen the institutional capacity at the Republika Srpska, Federation of Bosnia and Herzegovina and local level for improved water supply and sanitation service delivery, (ii) improve access to safely managed WSS services, and (iii) improve efficiency of WSS service providers in participating local governments.

Components and activities of the Project

The Project is comprised of the following components:

Component 1: Improving the institutional capacity for sector modernization

The main activities include supporting WSS sector reforms at the FBiH level and carrying out project management and sector reform coordination.

Component 2: Supporting improved governance and capacity of the water services at the local level

The main activities include supporting water services sector reforms at the local level.

Component 3: Improving access to safely managed WSS services and efficiency of WSS service providers

The main activities include carrying out Sub-Projects under BPs including: performance and efficiency improvements but not limited to the implementation of Non-Revenue Water Reduction, energy efficiency programs and improvements in metering and commercial systems and constructing, upgrading and modernizing WSS infrastructure, including water treatment and distribution facilities and wastewater collection and treatment facilities to increase the reliable water supply and climate resiliency targeted communities.

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1. Introduction (continued)

1.3. Financing of the Project

The State of Bosnia and Herzegovina ("B&H") is the borrower of International Bank for Reconstruction and Development (IBRD) Loan No. 93020-BA amounting to the equivalent of EUR 51,500,000.

Under the terms of a subsidiary finance agreement between B&H and RS, funds of the equivalent of EUR 25,000,000 have been lent to FB&H.

The credit will be topped by Grant SECO in amount of USD 1,150,000.

Categories of cost items to be financed out of the proceeds of the Loan, the allocation of the amounts of the Loan to each category and the percentage of expenditure for cost items so to be financed in each category are as follows:

Item	Loan amount allocated (EUR)	% of expenditures to be financed
(1) Goods, works, non-consulting services, consulting services, training and operating costs for the Project (except for Part A.1. (b) of the Project)	23,626,500	100%
(2) Goods, works, non-consulting services, consulting services, training and operating costs for Part A.1. of the Project	1,311,000	100%
		Amount payable pursuant to Section 2.03 of this Agreement in accordance with Section 2.07 (b) of the General Conditions
Front-end Fee	62,500	
Total	25,000,000	100%

IBRD Loan 93020 - BA became effective on 11 August 2023. Planned closing date was 30 November 2027.



Baker Tilly Re Opinion d.o.o.

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Independent Auditor's Report

To the State of Bosnia and Herzegovina,
Ministry of Finance and Treasury
Attn. of Minister of Finance and Treasury

Report on the Project Financial Statements

Opinion

We have audited the accompanying project financial statements of the Federation of Bosnia and Herzegovina part of the Water and Sanitation Services Modernization Project (the "Project"), which comprise of Summary of sources and uses of funds, Balance sheet, Designated account, Statement of loan withdrawals as of and for the year ended 31 December 2025, and a summary of significant accounting policies and other explanatory notes for the year then ended, financed under IBRD Loan Number 93020-BA.

In our opinion, the accompanying project financial statements present fairly, in all material aspects, the financial position of the Project as of 31 December 2025, and of the funds received and disbursed during the period then ended, in accordance with the cash basis of accounting based on International Public Sector Accounting Standard ("IPSAS"), as described in Note 4.1.

Basis for Opinion

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and "Guidelines: Annual Financial Reporting and Auditing for World Bank – Financed Activities" issued by FMSB. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Ministry of Finance and Treasury in accordance with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Project Financial Statements

The management of project coordination unit is responsible for the preparation of these project financial statements in accordance with the cash basis of accounting based on IPSAS, as described in Note 4.1., and for such internal control as management determines is necessary to enable the preparation of project financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Project's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Project or to cease operations or has no realistic alternative but to do so. Those charged with governance are responsible for overseeing the financial reporting process.

Responsibilities for the Audit of Financial Statements

Our objectives are to obtain reasonable assurance about whether the project financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the project financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Project's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Project to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the project financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on other requirements

In addition, with respect to the Statement of Expenditure, adequate supporting documentation has been maintained to support claims to the World Bank for reimbursements of expenditure incurred; and all expenditure included in withdrawal applications and reimbursed against are eligible for financing under the project.

Signed on behalf of Baker Tilly Re Opinion d.o.o. Sarajevo


Jasmina Oručević, Director
Sarajevo, 15 April 2026




Aldijana Gabela, Certified Auditor

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3. Project financial statements for the period ended 31 December 2025

3.1. Summary of Sources and Uses of Funds under the IBRD Loan No. 93020 - BA

	Ref.	Actual 2025	Cumulative 2025	Cumulative previous	Cumulative budget	Cumulative variance
FINANCING						
IBRD Loan No. 93020-BA	3.1.	13,000,000	3,000,000	-	-	
Front-end fee		-	62,500	62,500	-	
TOTAL FINANCING	3.2	3,000,000	3,062,500	62,500	25,000,000	21,937,500
PROJECT EXPENDITURE						
<i>By Category</i>						
Goods, works, non-consulting services, consulting services, training and operating costs for the Project under Part A.1. (b) of the Project		-	-	-	23,626,500	
Goods, works, non-consulting services, consulting services, training and operating costs for Part A.1. of the Project		2,556	2,556	-	1,311,000	
Front-end Fee		-	62,500	62,500	62,500	
TOTAL EXPENDITURE	3.2	2,556	65,056	62,500	25,000,000	21,345,200
PROJECT EXPENDITURE						
<i>By Component</i>						
Improving the institutional capacity for sector modernization		2,556	2,556	-		
Improving access to safety managed WSS services and the efficiency of WSS service providers		-	-	-		
Front-end Fee		-	62,500	62,500	-	
TOTAL EXPENDITURE	3.2	2,556	65,056	62,500	25,000,000	24,934,944

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3. Project financial statements for the year 2025 (continued)

3.2 Balance sheet as of 31 December 2025 showing accumulated funds of the Project and bank balances concerning World Bank funding

	Ref.	31 December 2025	31 December 2024
ASSETS			
Project expenditure IBRDD Loan No. 93020-BA	3.1.1	65,056	62,500
		65,056	62,500
Designated account - <i>IBRD Loan No. 93020-BA</i>	A.1	2,997,444	-
		2,997,444	-
Total assets		3,062,500	62,500
LIABILITIES			
<i>IBRD Loan No. 93020-BA</i>	3.1.1	3,062,500	62,500
Total liabilities		3,062,500	62,500

Signed and authorised by:

 Nijaz Brković
 Project manager

Sarajevo, 15 April 2026

 Tatjana Glavonjić
 Financial Manager



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4. Notes to the project financial statements

4.1 Basis of preparation and accounting records

These project financial statements have been prepared in accordance with the International Public Sector Accounting Standard: "Financial Reporting under the Cash Basis of Accounting" issued by the Public Sector Committee of the International Federation of Accountants, and incorporate the accounting policies below, which have been consistently followed in all material respects and comply with the "Guidelines: Annual Financial Reporting and Auditing for World Bank – Financed Activities", issued by the Financial Management Sector Board.

4.2 Accounting policies

The Project's fiscal year is 1 January to 31 December for the recording of all transactions.

Cash basis of accounting

All receipts and expenses under IBRD Loan are recorded on actual receipt and payment basis of accounting as per approved categories.

Project expenditure is stated at original cost on the Balance sheet.

Direct payments

Direct payments concern the amounts paid directly from the Loan account of the World Bank.

Statement of Expenditure (SoE)

Statements of Expenditure are used to state the expenditure under IBRD Loan during a certain period. These statements are sent to the World Bank's disbursement specialist who authorises the payment of the expenditure through the Designated account.

Currency conversions

The reporting currency is Euro (EUR). Sources and use of funds (payments to suppliers and contractors) in currencies other than EUR have been converted to EUR using the currency rate at the moment of the transaction.

Bank balances, recorded on the Balance sheet at year-end, have been converted at year-end rate.

Designated account

This is the total amount of the withdrawals from the Loan account for the Project. The Loan account is in EUR.

Interest on Designated accounts

Interest earned on the Designated accounts belongs to the Borrower.

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APPENDIX A.1 DESIGNATED ACCOUNT STATEMENT

Account owned by: Ministry of Finance and Treasury of Bosnia and Herzegovina

Account No.: 1994990007363383

Depository Bank: Sparkasse bank d.d.

Address: Zmaja od Bosne 7, 71000 Sarajevo

Related Credit: IBRD Loan No. 93020-BA

Currency: EUR

	Ref.	EUR
Opening balance 1 January 2025	3.2	-
Add:		
World Bank replenishments		3,000,000
		3,000,000
Deduct:		
Payments to suppliers - Expenditure under IBRD Loan		2,556
		2,556
Ending balance 31 December 2025	3.2	2,997,444

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APPENDIX B. SoE Withdrawal Schedule of IBRD Loan No. 93020 - BA for the year ended 31 December 2025

	Initial deposit	Goods, works, non-consulting services, consulting services, training and operating costs for the Project under Part A.1.	Front-end Fee	Total application	Total replenished
Previous period	-	-	62,500	62,500	62,500
Application 1	3,000,000	-	-	-	3,000,000
Application 2*	-	2,556	-	2,556	-
Total SoE applications 2025	-	2,556	-	-	-
Cumulative 2025	3,000,000	2,556	62,500	65,056	3,062,500

*Expenses were made during the year 2025, that will be submitted for replenishment during the year 2026.

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APPENDIX C Reconciliation between World Bank's disbursement statements in EUR and IBRD Loan account in EUR according to the balance sheet; SOE Withdrawal Schedule of IBRD Loan Number 93020 - BA

	Changes in IBRD Loan (EUR)	Exchange rate used	Changes in IBRD Loan (EUR)
Original amount	25,000,000	-	25,000,000
Front-end Fee	62,500	-	62,500
Disbursements from previous period	62,500	-	62,500
Withdrawal 01	3,000,000	-	3,000,000
Disbursements during 2025	3,000,000	-	3,000,000
Total disbursements as of 31 December 2025	3,062,500	-	3,062,500
Calculated undisbursed balance as od 31 December 2025	21,937,500	-	21,937,500
Undisbursed balance as per World Bank Summary for December 2025	21,937,500	-	21,937,500
Potential exchange rate loss			-