

Report on the Republika Srpska part of the Project
Financial Statements of the

**FLOODS EMERGENCY RECOVERY
PROJECT**

of the Ministry of Finance and Treasury of Bosnia and
Herzegovina

Financed by:

- IDA credit No. 5529 – BA

For the year ended 31 december 2019

FLOODS EMERGENCY RECOVERY PROJECT
of the Ministry of Finance and Treasury of Bosnia and Herzegovina

CONTENTS

1	Introduction	1
2	Independent Auditor's Report	4
3	Project financial statements for the year 2019	6
4	Notes to the project financial statements	8

APPENDICES

A	Designated account - IDA Credit No. 5529 - BA	9
B	SoE Withdrawal Schedule of IDA Credit No. 5529 - BA	10
C	Reconciliation between World Bank's disbursement statements in XDR and IDA Credit account in EUR according to the balance sheet as of 31 December 2019; SoE Withdrawal Schedule of IDA Credit No. 5529 - BA	11

FLOODS EMERGENCY RECOVERY PROJECT

of the Ministry of Finance and Treasury of Bosnia and Herzegovina

1. Introduction

1.1 Objectives of the Project

The Project objective of the Floods Emergency Recovery Project (the "Project") is to meet critical needs and restore functionality of infrastructure essential for public services and economic recovery in Floods Affected Areas.

1.2 Components and activities of the Project

The Project is comprised of the following three components:

Component 1: Emergency Disaster Recovery Goods

The recent floods have created significant strains on the supply chains for a variety of goods crucially needed to ensure the continuity of public services and economic opportunities. For example, some coal mines have been flooded, resulting in a restriction of supply to the main thermal power plants. The flooded areas traditionally have been oriented towards agriculture and agribusiness, which were severely affected by the floods, resulting in fodder and forage shortages and an urgent need for seeds and fertilizers for reseeded. The Project will therefore finance, through the use of a positive list, the purchase of goods urgently needed during the recovery phase. The positive list will include logistical goods, reconstruction goods, emergency goods, energy and power sector goods as well as agricultural recovery goods, with an initial priority set of fuel and food, agricultural and emergency goods. The positive list will include:

- (i) Logistical goods: including water, land and air transport equipment, including spare parts; communications equipment.
- (ii) Reconstruction goods: including construction materials; construction equipment and industrial machinery (including trucks, dozers, excavators); prefabricated houses.
- (iii) Emergency goods: including emergency and medical supplies and equipment; food and water containers; chemicals and equipment for water purification and sanitation of land, buildings and other structures; basic food commodities; cleaning and hygienic supplies; mud and water pumping equipment; equipment and furniture for emergency shelters and accommodations; moisture removal equipment; emergency vehicles and supplies; waste management and disposal equipment.
- (iv) Energy and power sector goods: including petroleum and fuel products; power purchases; power transmission and distribution equipment; mining equipment and pumps to remove water from mines, controls, monitoring and measurement equipment; emergency power generators; and other electrical equipment.
- (v) Agricultural recovery goods: including agricultural equipment and immovable production systems such as greenhouses, milking parlors and auxiliary installations, sorting or packaging equipment; inputs (excluding pesticides); such as seedlings for perennial crops, orchards and wine yards as well as seeds and fertilizer for reseeded of fields; as well concentrated animal forage and fodder stocks that were destroyed by floods; livestock.
- (vi) Other Essential Goods: any other goods or commodities essential to the Recipient's recovery from flooding, as agreed in advance by the Association.

FLOODS EMERGENCY RECOVERY PROJECT
of the Ministry of Finance and Treasury of Bosnia and Herzegovina

1. Introduction (continued)

1.2 Components and activities of the Project (continued)

Component 2: Rehabilitation of Key Public Infrastructure

This Component will support the rehabilitation of both local and regional public infrastructure on the basis of the RNA. The impact of the floods was concentrated on around 60 municipalities in the central, northwest and northeast parts of the country; in many of these, public services delivery was severely impacted. This Component will therefore finance the rehabilitation or reconstruction of high priority, public service delivery infrastructure in the worst affected areas.

This component is designed under a framework approach in which activities will be identified in a demand-driven manner, based on the on-going RNA. The project will put particular emphasis on Rural Development, Energy, Transport and Water and Sanitation activities but other public services (education, health) will be considered on a case-by-case basis. The Component will be divided in two Subcomponents that will follow somewhat different project cycles, depending on whether the infrastructure is local or regional.

Sub-component 2.A: Regional Infrastructure Rehabilitation

The main activities include rehabilitating or reconstructing high priority, regional-level public infrastructure through Sub-projects in Floods Affected Areas.

Subcomponent 2.B: Local Infrastructure Rehabilitation.

The main activities include rehabilitating or reconstructing high priority, local-level public service delivery infrastructure through Sub-projects in Floods Affected Areas.

Component 3: Project Implementation Support and Capacity Building

This component will finance the management of the Project and any support needed for the identification and implementation of sub-activities. The component will also provide technical assistance and capacity building on ensuring future improved disaster resilience.

This Component includes two main Subcomponents:

Subcomponent 3.A.

The main activities include project implementation support through the provision of incremental operating costs of RS APCU and equipment for Project implementation.

Subcomponent 3.B.

The main activities include strengthening the institutional capacity of the RS and local authorities within the RS to a proactive approach of risk management, through the provision of technical assistance and training.

FLOODS EMERGENCY RECOVERY PROJECT
of the Ministry of Finance and Treasury of Bosnia and Herzegovina

1. Introduction (continued)

1.3 Financing of the Project:

1.3.1 IDA Credit No. 5529 - BA

The State of Bosnia and Herzegovina ("B&H") is the borrower of the International Development Association (IDA) Credit No. 5529-BA amounting to the equivalent of XDR 65,000,000.

Under the terms of a subsidiary finance agreement between B&H and RS funds of the equivalent of XDR 30,875,000 have been lent to RS.

1.3.2 Financing of the Project

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

Item	Amount of the Credit allocated (in XDR)	% of expenditure to be financed
(3) Eligible Essential Goods and Commodities for part B.1 of the Project	12,350,000	100%
(4) Goods, works, non-consulting services, consultants' services, Training and Incremental Operating Costs for Parts B.2 and B.3 of the Project	18,525,000	100%
Subtotal	30,875,000	

IDA Credit No. 5529 - BA became effective on 15 September 2014. Planned closing date was 31 December 2018, but extension of closing date is till 30 June 2019.

First Amendment to the Financing Agreement

Item	Amount of the Credit allocated (in XDR)	% of expenditure to be financed
(3) Eligible Essential Goods and Commodities for part B.1 of the Project	10,350,000	100%
(4) Goods, works, non-consulting services, consultants' services, Training and Incremental Operating Costs for Parts B.2 and B.3 of the Project	20,525,000	100%
Subtotal	30,875,000	

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2. Independent Auditor's Report

To the State of Bosnia and Herzegovina,
Ministry of Finance and Treasury
Attn. of Minister of Finance and Treasury H.E. Mr. Vjekoslav Bevanda

Report on the Project Financial Statements

Opinion

We have audited the accompanying project financial statements of the Republika Srpska part of the Floods Emergency Recovery Project (the "Project"), which comprise of Summary of sources and uses of funds, Balance sheet, Designated account, Statement of loan and grant withdrawals as of and for the year ended 31 December 2019, and a summary of significant accounting policies and other explanatory notes for the year then ended, financed under IDA Credit No. 5529 - 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 2019, and of the funds received and disbursed during the year 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

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

Nihad Fejzić, Director and Certified Auditor



Ezita Imamović, Certified Auditor

Sarajevo, Bosnia and Herzegovina

28 April 2020

FLOODS EMERGENCY RECOVERY PROJECT
of the Ministry of Finance and Treasury of Bosnia and Herzegovina
Project financial statements for the year ended 31 December 2019

(all amounts in EUR, unless otherwise stated)

3. Project financial statements for the year 2019

3.1 Summary of sources and uses of funds under the IDA Credit No. 5529 - BA

	Ref.	Actual 2019	Cumulative 2019	Cumulative 2018	Cumulative budget	Cumulative variance
FINANCING						
<i>IDA Credit No.5529-BA</i>						
					34,972,365	
Initial deposit		-	1,500,000	1,500,000		
Direct payments		2,909,511	5,615,160	2,705,469		
Reimbursement		-	10,589,23	10,589,230		
SoE replenishments		4,899,436	20,132,926	15,233,490		
Reversal of document WB transaction No. 151		(74,415)	(74,415)	-		
Refunds application		(52,762)	(52,762)	-		
TOTAL FINANCING	3.1	7,681,770	37,710,139	30,028,369	34,972,365	(2,737,774)
PROJECT EXPENDITURE						
<i>By Category</i>						
<i>Eligible Essential Goods and Commodities for part B.1 of the Project</i>						
Goods, works nonconsulting services, consultants' services, Training and Incremental Operating Costs for Part B.2. and B.3. of the Project		-	12,474,231	12,474,231	11,723,528	(750,703)
		8,028,671	25,235,908	17,207,237	23,248,837	(1,987,071)
TOTAL EXPENDITURE	3.1	8,028,671	37,710,139	29,681,468	34,972,365	(2,737,774)
PROJECT EXPENDITURE						
<i>By Component</i>						
<i>Emergency Disaster Recovery Goods</i>						
Rehabilitation of key Public Infrastructure Project Implementation Support and Capacity Building		-	12,474,231	12,474,231	11,723,528	(750,703)
		6,441,436	23,311,933	16,870,497	22,199,666	(1,112,267)
		1,587,235	1,923,975	336,740	1,049,171	(874,804)
TOTAL EXPENDITURE	3.2	8,028,671	37,710,139	29,681,468	34,972,365	(2,737,774)

FLOODS EMERGENCY RECOVERY PROJECT
of the Ministry of Finance and Treasury of Bosnia and Herzegovina
Project financial statements for the year ended 31 December 2019


(all amounts in EUR, unless otherwise stated)

3. Project financial statements for the year 2019 (continued)

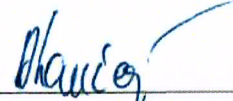
3.2 Balance sheet as of 31 December 2019 showing accumulated funds of the Project and bank balances concerning World Bank funding

	Ref.	31 December 2019	31 December 2018
ASSETS			
Project expenditure under IDA Credit No. 5529	3.1	37,710,139	29,681,468
		37,710,139	29,681,468
Designated bank account - IDA Credit No. 5529	A	-	346,901
		-	346,901
Total assets		37,710,139	30,028,369
LIABILITIES			
IDA Credit No. 5529	C	37,710,139	30,028,369
Total liabilities		37,710,139	30,028,369

Signed and authorised by:



 Mr Stefan Mitrović
 APCU Director



 Anđelka Kovačević
 Accountant

Banja Luka, 28 April 2020

FLOODS EMERGENCY RECOVERY PROJECT
of the Ministry of Finance and Treasury of Bosnia and Herzegovina
Project financial statements for the year ended 31 December 2019

(all amounts in EUR, unless otherwise stated)

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 IDA Credit 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 Credit account of the World Bank.

Statement of Expenditure (SoE)

Statements of Expenditure are used to state the expenditure under IDA Credit 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 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 Credit account for the Project. The Credit account is in XDR.

Interest on Designated account

Interest earned on the Designated account belongs to the Borrower.

FLOODS EMERGENCY RECOVERY PROJECT
of the Ministry of Finance and Treasury of Bosnia and Herzegovina
 Project financial statements for the year ended 31 December 2019

(all amounts in EUR, unless otherwise stated)

APPENDIX A	DESIGNATED ACCOUNT STATEMENT
Account owned by:	Ministry of Finance and Treasury of Bosnia and Herzegovina
Account No.:	5672410000514933
Depository Bank:	Sberbank a.d. Banja Luka
Address:	Jevrejska 71, Banja Luka
Related Credit:	IDA Credit No. 5529 - BA
Currency:	EUR

	Ref.	EUR
Opening balance 1 January 2019	3.2	346,901
Add:		
World Bank replenishments	B	4,899,436
		4,899,436
Deduct:		
Payments to suppliers - Expenditure under IDA Credit (included Reversal of document 74,415 EUR) *		5,193,575
Refunds Application		52,762
		5,246,337
Ending balance 31 December 2019	3.2	-

* An amount of EUR 74,415 relates to reclassified costs from FERP Republic of Spska on FERP Brcko district in accordance with World Bank approval and relates on operational costs of the APCU.

FLOODS EMERGENCY RECOVERY PROJECT
of the Ministry of Finance and Treasury of Bosnia and Herzegovina
Project financial statements for the year ended 31 December 2019

(all amounts in EUR, unless otherwise stated)

APPENDIX B SoE Withdrawal Schedule of IDA Credit No. 5529 - BA

	Changes in IDA Credit (in XDR)	Exchange rate used	Changes in IDA Credit (in EUR)
Original amount	30,875,000	1.132708	34,972,365
Disbursed in previous years	24,185,391		30,028,369
Withdrawal 41	181,276	1.221516	221,432
Withdrawal 42	263,134	1.230046	323,667
Withdrawal 43	494,290	1.230047	608,000
Withdrawal 44	220,936	1.230981	271,968
Withdrawal 45	386,899	1.230981	476,265
Reversal of document	(60,413)	1.231771	(74,415)
Withdrawal 46	589,976	1.236135	729,290
Withdrawal 47	629,368	1.236135	777,984
Withdrawal 48	515,608	1.228224	633,283
Withdrawal 49	571,573	1.227827	701,793
Withdrawal 50	220,861	1.228355	271,295
Withdrawal 51	407,428	1.227827	500,251
Withdrawal 52	848,434	1.235392	1,048,148
Withdrawal 53	119,886	1.235392	148,107
Withdrawal 54	132,220	1.238286	163,726
Withdrawal 55	750,959	1.243395	933,738
Withdrawal 56	-	-	-
Withdrawal 57	-	-	-
Withdrawal 58	-	-	-
Refunds Application	(42,639)	1.237410	(52,762)
Total disbursed in 2019	6,229,796		7,681,770
Cumulative disbursements as of 31 December, 2019	30,415,188		37,710,139
Calculated undisbursed balance as of 31 December, 2019	459,812		(2,737,774)
Undisbursed balance as per World Bank Summary for December 2019	459,812	1.237480	(569,008)
Potential exchange rate gain			(3,306,782)

FLOODS EMERGENCY RECOVERY PROJECT
of the Ministry of Finance and Treasury of Bosnia and Herzegovina
Project financial statements for the year ended 31 December 2019

(all amounts in EUR, unless otherwise stated)

APPENDIX C Reconciliation between World Bank's disbursement statements in XDR and IDA Credit account in EUR according to the balance sheet; SoE Withdrawal Schedule of IDA Credit No. 5529 - BA

	Initial deposit	Eligible Essential Goods and Commodities for part B.1 of the Project	Goods, works non- consulting services, consultants' services, training and incremental operating Costs for Parts B.2. and B.3. of the Project	Total application	Total replenished
Previous period	892,000	12,474,231	17,207,237	29,681,468	30,028,369
Application 41*	-	-	-	-	221,432
Application 42*	-	-	-	-	323,667
Application 43	608,000	-	-	-	608,000
Application 44	(136,000)	-	407,968	407,968	271,968
Application 45	(240,000)	-	716,265	716,265	476,265
Reversal of document WB	-	-	(74,415)	(74,415)	(74,415)
Application 46	-	-	729,290	729,290	729,290
Application 47	-	-	777,984	777,984	777,984
Application 48	-	-	633,283	633,283	633,283
Application 49	-	-	701,793	701,793	701,793
Application 50	-	-	271,295	271,295	271,295
Application 51	-	-	500,251	500,251	500,251
Application 52	-	-	1,048,148	1,048,148	1,048,148
Application 53	-	-	148,107	148,107	148,107
Application 54	-	-	163,726	163,726	163,726
Application 55	-	-	933,738	933,738	933,738
Application 56	(106,075)	-	106,075	106,075	-
Application 57	(772,526)	-	772,526	772,526	-
Application 58	(192,559)	-	192,559	192,559	-
Refunds Application	(52,762)	-	-	-	(52,762)
Bank fees	(78)	-	78	78	-
Total SoE applications	(892,000)	-	8,028,671	8,028,671	7,681,770
Total 2019	(892,000)	-	8,028,671	8,028,671	7,681,770
As of 31 December 2019	-	12,474,231	25,235,908	37,710,139	37,710,139

*Application No. 41 and 42 were replenished in 2019, but expenses were made in 2018.