

Report on Federation of Bosnia and Herzegovina
part of the Project Financial Statements of the

HEALTH SYSTEMS IMPROVEMENT PROJECT

of the Ministry of Finance and Treasury of Bosnia
and Herzegovina

Financed by:

- Loan No. 93510 – BA

For the year ended 31 December 2025

HEALTH SECTOR ENHANCEMENT PROJECT
of the Ministry of Finance and Treasury of Bosnia and Herzegovina

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HEALTH SECTOR ENHANCEMENT PROJECT

of the Ministry of Finance and Treasury of Bosnia and Herzegovina

1. Introduction

1.1 Objectives of the Project

The project aims to improve both the quality of health care services, as well as the financial position of BiH's health systems, with more effective governance as an underlying and unifying theme. Investments and incentives in each of these areas can, together, help ensure that arrears cleared today do not reaccumulate tomorrow. Regarding financial sustainability, the project will help BiH's health systems stop overspending as well as spend more effectively. This is a necessary first phase in a longer-term program of work that BiH must undertake. Most likely, this will also need to include eventual expansion of the revenue base for the health sector.

1.2 Components and activities of the Project

The Project consists of the following parts, subject to such modifications thereof as the Borrower and the Association may agree upon from time to time to achieve such objectives:

The Project consists of the following parts, subject to such modifications thereof as the Borrower and the Association may agree upon from time to time to achieve such objectives:

- **Increasing health systems performance in the Federation of Bosnia and Herzegovina.**

In the Federation, the project is designed to contribute to comprehensive reforms aimed at improving the quality of health care, financial sustainability, and more efficient management in both health care providers and health insurance funds. The project will also support generation of information that will help decision makers at all levels of the health system identify health care needs, health service problems, and evidence-based solutions, including adaptation to EU requirements. In August 2019, all cantons were asked to state whether they were interested in participating in the project and to identify potential activities. All cantons expressed their agreement with the concept of the project and their commitment to participate. Further consultation with the relevant cantonal authorities will continue once the project becomes effective regarding the needs of the cantons, as well as respective roles and responsibilities during project implementation.

Sub-component 2.1. Improving the efficiency and quality of health care (USD 13 million)

This sub-component will address constraints (a) and (b) by investing in goods, equipment and minor works to support FMOH to work with cantons to optimize the service network, including strengthening preventive health care and health system preparedness; enhancing primary health care and day-care where appropriate; studying patient pathways to determine the true cost of health care for four patient groups to build upon the incipient DRG systems already developed in the Federation (for example by Herzegovina Neretva Canton) and extending them to all health care providers for more patient groups; and enhancing citizen engagement to gather users' feedback on health care and health insurance. The FMOH also wishes to invest in harmonized information technology hardware and software across the 10 cantons' health systems. By supporting investment in information technology (IT) systems, the project will support establishment of accountability structures with clearly defined results for different levels of management (which can form the basis for performance incentives, both financial and non-financial), as well as improved human resource planning and management.

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1. Introduction (continued)

1.2 Components and activities of the Project (continued)

The challenges posed by the COVID 19 pandemic also point to the need to Page 24 of 111 The World Bank Health Systems Improvement Project (P171150) strengthen the role of public health in terms of timely provision of data and information for public health decision-making by strengthening systems and protocols for reporting, analyzing, and disseminating data and all public health capacities. These activities build upon the Health Sector Improvement Project (P149920) that was cancelled in 2017. Activities also align with proposed activities in Republika Srpska, as well as with activities related to the WB health sector project from 2017, but which remain in the Federation's Public Investment Program. Specifically, this sub-component may include activities and investments described below. Support federal and cantonal MoHs and PHIs to strengthen preventive health care and health systems preparedness through investments that: (a) Develop disease surveillance (both NCDs and infectious disease) modules of health systems' current information systems and linking primary health care providers to them; and (b) Provide timely data and information for public health decision-making and response activities, by enhancing systems and protocols for data reporting, analysis, and dissemination.

Support professional organizations, federal and cantonal MoHs to optimize health care networks, through investments that: (a) Develop electronic health records in primary health care and secondary health care and develop an integrated information system that shares clinical and administrative information across primary health care centers, hospitals, public health institutes, and the Agency for Accreditation and Health Care Quality in Federation of Bosnia and Herzegovina (AKAZ), including procurement of IT equipment; and (b) Support the implementation of reforms to optimize the numbers and distribution of the health care workforce (both clinical and administrative) to improve productivity.

Support hospitals to deliver efficient in-patient care, when such care is warranted, through investments that: (a) Improve hospital payment mechanisms to support provider monitoring and improvements in quality of health care; (b) Expand day-hospital care for selected, appropriate services that are currently provided as in-patient services; (c) Where possible, merge and concentrate specialist services and diagnostics into fewer hospitals/clinics/laboratories; and (d) Improve IT systems to achieve more transparent and efficient management, especially hospitals' financial management and cost control. Support AKAZ, health care providers, and federal and cantonal HIFs to improve the safety and quality of health care, including patient satisfaction, through investments that: (a) Support the adoption of safety standards and quality accreditation in all health care providers; (b) Support the implementation of certification for all health care workers; (c) Strengthen programs for monitoring and improving the safety and quality of health care (including surveillance for adverse events) to enhance performance and accountability; 26 The project will not directly contribute to redundancies, but eventual job loss may result from rationalization and increased efficiency of health care insurance and health care services. Page 25 of 111 The World Bank Health Systems Improvement Project (P171150) (d) Introduce performance-based payments for clinical and health care managerial teams; and (e) Strengthen the units in each health care provider responsible for quality monitoring and improvement, enhancing their capacity for analysis of quality indicators.

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2. Introduction (continued)

1.2 Components and activities of the Project (continued)

Sub-component:

2.2. Strengthening management and financial sustainability of health care institutions (USD 7 million)

This sub-component will support activities and investments to improve the financial stability of health care providers and HIFs, thereby addressing constraints (c) and (d). Complementing the activities and investments in sub-component 2.1, this sub-component will focus on investments that build providers' capacity and strengthens their incentives to avoid budget overruns and arrears. Specifically, this sub component may include activities and investments to: (a) Acquire hardware and develop software to allow health care providers and HIFs to improve budget planning, execution and monitoring, including their reporting on arrears, liabilities, and financial risk; (b) Develop integrated hospital dashboards to provide information on resources, activities, and key performance indicators (including waiting times and feedback from service users); (c) Strengthen management and capacity of health care providers, federal and cantonal MoHs and HIFs to analyze health care needs; plan, pilot, and evaluate reforms; improve procurement; ensure efficient contracting of health services; and undertake effective restructuring and financial consolidation of health care providers; and (d) Establish a publicly-accessible database of arrears by health care facility.

Sub-component

2.3. Project management and monitoring (USD 1.40 million)

This component will support project implementation, providing overall administration of the project (including procurement and FM assessments and arrangements), as well as regular monitoring and evaluation (including beneficiary surveys), reporting of implementation, communication, and beneficiary feedback activities. Continued outreach to stakeholders to explain the rationale for reforms and build consensus for their implementation will be emphasized. Where appropriate, activities to overcome intergovernmental fragmentation and support collaboration between the two entities will be delivered through this component, such as aligning efforts to design and implement health service user surveys as part of project monitoring. Existing government structures and capacities at entity level will be used as much as possible. If necessary, these will be strengthened by appointment and/or recruitment of additional staff/consultants responsible for overall administration, implementation of the ESF, communication and outreach, procurement, and FM. Local administrative structures and relevant specialized institutions at the local level will support the PIU in project monitoring.

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1.3 Financing of the Project

The Project is financed by:

IBRD Loan No. 93510-BA in the amount of EUR 67,300,000

The State of Bosnia and Herzegovina ("B&H") is the recipient of funds made available by International Bank for Reconstruction and Development, in the form of a Loan No. 93510 - BA amounting to the equivalent of EUR 67,300,000.

Under the terms of a subsidiary finance agreement between Federation of Bosnia and Herzegovina and Bosnia and Herzegovina, funds of the equivalent of EUR 19,240,000 have been lent to Federation of Bosnia and Herzegovina.

Section II of the Credit Agreement set forth the categories of cost items to be financed out of the proceeds of the Credit, the allocation of the amounts of the Loan to the one category and the percentage of expenditure for items to be financed in the one category:

Category	Amount of the Loan allocated (in EUR)	% of expenditure to be financed
(3) Works, goods, non-consulting services, consulting services, Training and Operating Cost	19,191,900	100%
Front-end Fee	48,100	Amount payable pursuant to Section 2.03 under Article II of this Agreement in accordance with Section 2.07 (b) of the General Conditions
Total – Part B of the Project	19,240,000	



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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 Health sector enhancement project 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 No. 93510 - 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 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). In conducting audit we were also guided by the Bank's financial reporting and auditing requirements, Disbursement Guidelines for Investment Project Financing, the Loan Handbook for World Bank Borrowers and the World Bank's Procurement Framework. 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

Project implementation and management unit (PIMT) with support of Accounting Department 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 Head of PIMT 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, PIMT 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.

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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 documentation supporting Disbursement Linked indicators or Performance Based Conditions and underlying expenditures have been maintained to support claims for reimbursements of expenditure occurred, and such expenditures were eligible and incurred for the purpose intended under Loan No. 93510-BA. Also, respective reports issued during the period were in agreement with the underlying books of account.

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

Jasmina Oručević, Director

Sarajevo, Bosnia and Herzegovina

10 April 2026



Aldijana Gabela, Certified Auditor

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3. Project financial statements for the year 2025

3.1. Summary of sources and uses of funds under the Loan No. 93510 – BA

	Actual 2025	Cumulative 2025	Cumulative 2024	Cumulative budget	Cumulative variance
FINANCING					
<i>Loan No. 93510 – BA</i>					
Initial deposit	500,000	500,000	-	-	-
Direct Payment	-	-	-	-	-
SOE replenishments	-	-	-	-	-
Front-end Fee	48,100	48,100	-	-	-
TOTAL FINANCING	548,100	548,100	-	19,240,000	18,691,900
PROJECT EXPENDITURE					
<i>By Category</i>					
Goods, works, non-consultants' services, consultants' services, Training and Operating Costs	110,740	110,740	-	19,191,900	19,081,160
Front-end Fee	48,100	48,100	-	48,100	-
TOTAL EXPENDITURE	158,840	158,840	-	19,240,000	19,081,160
PROJECT EXPENDITURE					
<i>By component</i>					
Project management and monitoring	110,740	110,740	-	19,191,900	19,081,160
Front-end Fee	48,100	48,100	-	48,100	-
TOTAL EXPENDITURE	158,840	158,840	-	19,240,000	19,081,160

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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

	31 December 2025	31 December 2024
ASSETS		
Project expenditure under IBRD No. 93510 – BA	158,840	-
	158,840	-
Designated account IBRD No. 93510-BA A.1	389,260	-
	389,260	-
Total assets	548,100	-
LIABILITIES		
IBRD Loan No. 93510 – BA	548,100	-
Total liabilities	548,100	-

Signed and authorized by:

Minister

Nediljko Rimac

Sarajevo, 10 April 2026



Financial Specialist

Aida Kurtović

HEALTH SECTOR ENHANCEMENT PROJECT
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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 on the cash basis of accounting based on International Public Sector Accounting Standards 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 credit 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 authorizes the payment of the expenditure through the Designated account.

Currency conversions

The reporting currency is EUR. Sources and use of funds (payments to workers, institutions, suppliers and contractors, as case may be) 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 EUR.

Local bank accounts

This concerns bank accounts at local banks (other than Designated accounts) in local currency translated at the exchange rate at the date of the balance sheet.

Interest on Designated account

Interest earned on the Designated account belongs to the Borrower.

Other income

We have no other incomes.

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APPENDIX A.1

DESIGNATED ACCOUNT STATEMENT

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

Account No.: 1994990007657002

Depository Bank: Sparkasse bank

Address: Zmaja od Bosne 7, Sarajevo

Related Credit: IBRD No. 93510 – BA

Currency: EUR

	EUR
Opening balance 1 January 2025	-
Add:	
IBRD replenishments	500,000
Subtotal	500,000
Deduct:	
Payments of expenditures during the period	110,740
Subtotal	110,740
Ending balance 31 December 2025	389,260

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APPENDIX B SoE Withdrawal Schedule of IBRD Loan No. 93510 – BA

	Initial deposit	Goods, civil works, consultants' services and operating costs	Front- end Fee	Total application	Total disbursed
Previous period	-	-	-	-	-
Front-end Fee	48,100	-	48,100	48,100	48,100
Initial deposit	500,000	-	-	-	500,000
Application 1*	-	110,740	-	110,740	-
Total SOE 2025	-	110,740	48,100	158,840	548,100
Cumulative 2025	548,100	110,740	48,100	158,840	548,100

*Application submitted for replenishment during 2026, but expenses were made in 2025.

HEALTH SECTOR ENHANCEMENT PROJECT
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APPENDIX C Reconciliation between World Bank's disbursement statements in EUR and Credit account in EUR according to the balance sheet; SoE Withdrawal Schedule of Loan No. 93510 – BA

	Changes in Loan No. 93510- BA (in EUR)
Original amount	19,240,000
Disbursed in previous years	-
Front-end Fee	48,100
Initial deposit	500,000
Total disbursed in 2025	548,100
Cumulative disbursements	548,100
Calculated undisbursed balance as of 31 December 2025	18,691,900
Undisbursed balance as per World Bank Summary for December 2025	18,691,900