

Report on the Federation Part of the Project Financial
Statements of the
ENERGY EFFICIENCY PROJECT

of the Ministry of Finance and Treasury of Bosnia and Herzegovina
Financed by:

- IBRD Loan No. 8906 BA

For the year ended 31 December 2022

**ENERGY EFFICIENCY PROJECT
of the Ministry of Finance and Treasury of Bosnia and Herzegovina**

CONTENTS

1	Introduction	2
2	Independent Auditor's Report	4
3	Project Financial Statements for the year 2022	6
4	Notes to the Project Financial Statements	8

APPENDICES

A.1	Designated account statement – IBRD Credit No. 8906-BA	10
B	SoE Withdrawal Schedule of IBRD Credit No. 8906-BA for the year ended 31 December 2022	11
C	Reconciliation between World Bank's Disbursement Statements in EUR according to the balance sheet as of 31 December 2022; SoE Withdrawal Schedule of IBRD Credit No. 8906-BA	12

**ENERGY EFFICIENCY PROJECT
of the Ministry of Finance and Treasury of Bosnia and Herzegovina**

Project financial statements for the year ended 31 December 2022

(all amounts in EUR, unless otherwise stated)

1. Introduction

1.1. Objectives of the Project

The Project Development Objective (PDO) of the Energy Efficiency Project (BEEP) is to demonstrate the benefits of energy efficiency improvements in public sector buildings and support the development of scalable energy efficiency financing models.

1.2 Components and activities of the Project - IBRD additional financing

Proposed Financing. The proposed AF will be supported by an IBRD loan of €27.3 (US \$32 million equivalent), with 60 percent of the proposed loan to be provided to the FB&H (€16.4 million) and 40 percent (€10.9 million) to the RS, respectively.

Project financing will be complemented by co-financing provided by the entity Governments from two sources: (i) project reflows generated through the revolving financing models introduced for EE investments and reinvested in the form of joint co-financing with BEEP AF resources; and (ii) Value Added Tax (VAT) refunds on BEEP AF expenses, which will also be reinvested in the form of joint co-financing to the project. The total amount of available co-financing from these two sources is estimated to amount to €7.95 million.

COMPONENT 1: EE Investments in Public Facilities (estimated costs of €23.4 million IBRD financing and estimated €7.9 million Government co-financing through the revolving financing models). This component will continue supporting EE improvements in selected public buildings, including related civil works, goods and services.

COMPONENT 2: Support for the Development of Scalable Financing Mechanisms and Capacity Building (estimated costs of €2.15 million IBRD financing). This component will build on activities implemented under BEEP and provide technical assistance aimed at: (i) supporting the development and implementation of scalable EE financing mechanisms; (ii) enhancing local market capacity and improving EE enabling environment; and (iii) strengthening public awareness on EE.

COMPONENT 3: Project Management (estimated costs of €1.8 million, including €1.61 million IBRD financing and €0.19 million Government in-kind contribution). This component will continue providing support for effective implementation and management of the AF, including PIU staff, project-related operating costs and PIU trainings; and annual audits of project accounts. The PIUs are composed of the following Ministry staff and consultants: (i) in the FBiH: Project Ministry focal point, PIU Coordinator, three technical experts, financial management (FM) specialist, procurement specialist, contract management specialist and administrative support; and (ii) in the RS: Project Manager (Ministry staff), two technical experts, FM manager (Ministry staff), FM specialist, procurement specialist, operations officer, communications specialist, and EE financing specialist.

1.3 Financing of the Project

1.3.1. IBRD Loan No. 8906-BA

The State of Bosnia and Herzegovina is the borrower of the International Bank of Reconstruction and Development (IBRD) of Loan No. 8906 BA, amounting to the equivalent of EUR 27,276,969. Under the terms of a subsidiary finance agreement between State of Bosnia and Herzegovina and Federation of Bosnia and Herzegovina (FBiH), funds of the equivalent EUR 16,366,193 are related to the Federation part of the Project.

**ENERGY EFFICIENCY PROJECT
of the Ministry of Finance and Treasury of Bosnia and Herzegovina**

Project financial statements for the year ended 31 December 2022

(all amounts in EUR, unless otherwise stated)

1. Introduction (continued)

1.3. Financing of the Project (continued)

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	Amount of the Credit allocated (in EUR)	% of expenditure to be financed
(1) Goods, works, non-consulting services, and consultants' services, training and incremental operating costs for the Part A of the Project	16,325,278	100%
(3) Front-end Fee	40,915	-
Subtotal		16,366,193

Planned closing date is 29 February 2024.

**ENERGY EFFICIENCY PROJECT
of the Ministry of Finance and Treasury of Bosnia and Herzegovina**

Project financial statements for the year ended 31 December 2022

(all amounts in EUR, unless otherwise stated)



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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 part of the Energy Efficiency Project (the "Project"), which comprise of Summary of sources and uses of funds, Balance sheet, Designated account statement, Statements of Credit withdrawals as of and for the year ended 31 December 2022, and a summary of significant accounting policies and other explanatory notes for the year then ended, financed under IBRD Credit No. 8906-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 2022, 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. 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

The management of project implementation 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., Guidelines: Annual Financial Reporting and Auditing for World Bank-Financed Activities, 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.

**ENERGY EFFICIENCY PROJECT
of the Ministry of Finance and Treasury of Bosnia and Herzegovina**

Project financial statements for the year ended 31 December 2022

(all amounts in EUR, unless otherwise stated)

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. 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, 28 April 2023

Aldijana Gabela, Certified Auditor



ENERGY EFFICIENCY PROJECT
of the Ministry of Finance and Treasury of Bosnia and Herzegovina

Project financial statements for the year ended 31 December 2022

(all amounts in EUR, unless otherwise stated)

3. Project financial statements for the year 2022

3.1 Summary of sources and uses of funds under the IBRD Credit No. 8906-BA

	Ref.	Actual 2022	Cumulative 2022	Cumulative 2021	Cumulative budget	Cumulative variance
FINANCING						
IBRD 8906 - BA					16,366,193	
Initial deposit		1,000,000	2,000,000	1,000,000	-	
Direct payments		4,799,857	5,341,808	541,951	-	
SOE replenishments		3,412,821	4,562,452	1,149,631	-	
Front-End Fee		-	40,915	40,915	-	
TOTAL FINANCING	3.1	9,212,677	11,945,174	2,732,497	16,366,193	4,421,019
PROJECT EXPENDITURE						
<i>By Category</i>						
Goods, works, consultants' services and operating costs for Part 1 of the Project		8,285,576	10,910,342	2,624,766	16,325,278	5,414,936
Front-End Fee		-	40,915	40,915	40,915	-
TOTAL EXPENDITURE	3.2	8,285,576	10,951,257	2,665,681	16,366,193	5,414,936
PROJECT EXPENDITURE						
<i>By Component</i>						
Energy Efficiency investments		7,596,675	9,765,916	2,168,521	14,209,028	4,443,832
Support for the development of scalable financing mechanisms and capacity building		461,986	606,194	144,208	1,063,000	456,806
Project management and implementation		226,916	538,953	312,037	1,053,250	514,297
Front-End Fee		-	40,915	40,915	40,915	-
TOTAL EXPENDITURE	3.2	8,285,576	10,951,257	2,665,681	16,366,193	5,414,936

ENERGY EFFICIENCY PROJECT
of the Ministry of Finance and Treasury of Bosnia and Herzegovina

Project financial statements for the year ended 31 December 2022

(all amounts in EUR, unless otherwise stated)

3. Project financial statements for the year 2022 (continued)

3.2. Balance sheet as of 31 December 2022 showing accumulated funds of the Project and bank balances concerning World Bank funding IBRD No. 8906-BA

	Ref.	31 December 2022	31 December 2021
ASSETS			
Project expenditure under IBRD No. 8906-BA	3.1	10,951,257	2,665,681
		<u>10,951,257</u>	<u>2,665,681</u>
Designated account - IBRD No. 8906-BA	A.1	993,917	66,816
		<u>993,917</u>	<u>66,816</u>
Total assets		11,945,174	2,732,497
LIABILITIES			
IBRD Credit No. 8906-BA	3.1	11,945,174	2,732,497
Total liabilities		11,945,174	2,732,497

Signed and authorised by:

Željko Nedić
Minister

Sarajevo, 28 April 2023

Belma Đonko
Belma Đonko
Financial Manager

**ENERGY EFFICIENCY PROJECT
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Project financial statements for the year ended 31 December 2022

(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 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 Credit is 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 IBRD Credit accounts of the World Bank.

Statement of Expenditure (SoE)

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

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 that due to the Currency Board arrangement has not been changed throughout the year.

Designated accounts

This is the total amount of cash withdrawals from the IBRD Credit accounts for the Project. IBRD Credit account is in EUR.

**ENERGY EFFICIENCY PROJECT
of the Ministry of Finance and Treasury of Bosnia and Herzegovina**

Project financial statements for the year ended 31 December 2022

(all amounts in EUR, unless otherwise stated)

4. Notes to the project financial statements (continued)

4.2 Accounting policies (continued)

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.

Other income

Other income includes interest earned on cash funds at the bank accounts.

Interest on Designated accounts

Interest earned on the Designated accounts belongs to the Borrower.

**ENERGY EFFICIENCY PROJECT
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Project financial statements for the year ended 31 December 2022

(all amounts in EUR, unless otherwise stated)

APPENDIX A.1

DESIGNATED ACCOUNT STATEMENT

Account owned by: Ministry of Finance and Treasury of Bosnia and Herzegovina
Account No.: 393387304856198007
Depository Bank: UniCredit Bank d.d.
Address: Kardinala Stepinca bb
Related Credit: IBRD Credit No. 8906-BA
Currency: EUR

	Ref.	BAM	EUR
Opening balance 1 January 2022	3.2	130,681	66,816
Add:			
IBRD replenishments	B	11,343,537	5,799,857
		11,474,218	5,866,673
Deduct:			
Payments of expenditures during the period		9,530,282	4,872,756
		9,530,282	4,872,756
Ending balance 31 December 2022	3.2	1,943,936	993,917

**ENERGY EFFICIENCY PROJECT
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Project financial statements for the year ended 31 December 2022

(all amounts in EUR, unless otherwise stated)

**APPENDIX B SoE Withdrawal Schedule of IBRD Credit No. 8906-BA for the year ended
31 December 2022**

	Initial deposit	Goods, works, consultants' services, and operating costs for Part 1 of the Project	Total application	Total replenished
Previous period	1,000,000	2,665,681	2,665,681	2,732,497
Application 14	-	383,562	383,562	383,562
Application 15	-	160,041	160,041	160,041
Application 17	-	394,938	394,938	394,938
Application 18	-	338,207	338,207	338,207
Application 22	-	378,767	378,767	378,767
Application 23	-	193,949	193,949	193,949
Application 24	-	239,964	239,964	239,964
Application 26	-	121,824	121,824	121,824
Application 27	-	86,903	86,903	86,903
Application 28	-	265,188	265,188	265,188
Application 29	-	116,934	116,934	116,934
Application 30	-	184,964	184,964	184,964
Application 32	-	271,969	271,969	271,969
Application 34	-	113,355	113,355	113,355
Application 35	-	162,256	162,256	162,256
Total direct payments 2022	-	3,412,821	3,412,821	3,412,821
Application 13*	-	-	-	194,209
Application 16*	-	-	-	738,975
Application 21	-	889,840	889,840	889,840
Application 25	-	717,033	717,033	717,033
Application 31	-	547,952	547,952	547,952
Application 33	-	505,973	505,973	505,973
Application 36	1,000,000	-	-	-
Application 37	-	423,808	423,808	423,808
Application 38	-	782,066	782,066	782,066
Application 39**	-	1,006,083	1,006,083	1,006,083
Total SoE applications in 2022	1,000,000	4,872,756	4,872,756	5,799,857
Total 2022	1,000,000	8,285,576	8,285,576	9,212,677
Cumulative as of 31 December 2022	2,000,000	10,951,257	10,951,257	11,945,174

* Application No. 13 and Application No. 16 is replenished in 2022, but expenses were made in 2021.

** Applications No. 39 will be replenished in 2023, but expenses were made in 2022.

APPENDIX C **Reconciliation between World Bank's Disbursement Statements in EUR according to the balance sheet as of 31 December 2022; SoE Withdrawal Schedule of IBRD Credit No. 8906-BA**

	Changes in IBRD Credit (in EUR)	Exchange rate used	Changes in IBRD Credit (in EUR)
Original amount	16,366,193	1.00	16,366,193
Disbursed in previous years	2,732,497	-	2,732,497
Application 13	194,209	-	194,209
Application 14	383,562	-	383,562
Application 15	160,041	-	160,041
Application 16	738,975	-	738,975
Application 17	394,938	-	394,938
Application 18	338,207	-	338,207
Application 21	889,840	-	889,840
Application 22	378,767	-	378,767
Application 23	193,949	-	193,949
Application 24	239,964	-	239,964
Application 25	717,033	-	717,033
Application 26	121,824	-	121,824
Application 27	86,903	-	86,903
Application 28	265,188	-	265,188
Application 29	116,934	-	116,934
Application 30	184,964	-	184,964
Application 31	547,952	-	547,952
Application 32	271,969	-	271,969
Application 33	505,973	-	505,973
Application 34	113,355	-	113,355
Application 35	162,256	-	162,256
Application 36	1,000,000	-	1,000,000
Application 37	423,808	-	423,808
Application 38	782,066	-	782,066
Total disbursed in 2022	9,212,677	-	9,212,677
Cumulative disbursements as of 31 December 2022	11,945,174	-	11,945,174
Calculated undisbursed balance as of 31 December 2022	4,421,019	-	4,421,019
Undisbursed balance as per World Bank Summary for December 2022	4,421,019	-	4,421,019
Difference	-	-	-