

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 2023

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

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Project financial statements for the year ended 31 December 2023

(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.

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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:

		Amount of the Credit allocated (in EUR)	% of expenditure to be financed
Item			
(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.

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(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 2023, 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 2023, 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.

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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 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, 27 May 2024




Aldijana Gabela, Certified Auditor

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3. Project financial statements for the year 2023

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

	Ref.	Actual 2023	Cumulative 2023	Cumulative 2022	Cumulative budget	Cumulative variance
FINANCING						
IBRD 8906 - BA					16,366,193	
Initial deposit		-	2,000,000	2,000,000	-	
Direct payments		282,198	4,844,650	4,562,452	-	
SOE replenishments		2,615,751	7,957,559	5,341,808	-	
Front-End Fee		-	40,915	40,915	-	
TOTAL FINANCING	3.1	2,897,949	14,843,124	11,945,175	16,366,193	1,523,069
PROJECT EXPENDITURE						
<i>By Category</i>						
Goods, works, consultants' services and operating costs for Part 1 of the Project		2,771,729	13,682,072	10,910,343	16,325,278	2,642,906
Front-End Fee		-	40,915	40,915	40,915	-
TOTAL EXPENDITURE	3.2	2,771,729	13,722,987	10,951,258	16,366,193	2,643,206
PROJECT EXPENDITURE						
<i>By Component</i>						
Energy Efficiency investments		2,106,626	11,871,822	9,765,196	14,209,028	2,337,206
Support for the development of scalable financing mechanisms and capacity building		456,945	1,063,139	606,194	1,063,000	(139)
Project management and implementation		208,158	747,111	538,953	1,053,250	306,139
Front-End Fee		-	40,915	40,915	40,915	-
TOTAL EXPENDITURE	3.2	2,771,729	13,722,987	10,951,258	16,366,193	2,643,206

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3. Project financial statements for the year 2023 (continued)

3.2. Balance sheet as of 31 December 2023 showing accumulated funds of the Project and bank balances concerning World Bank funding IBRD No. 8906-BA

	Ref.	31 December 2023	31 December 2022
ASSETS			
Project expenditure under IBRD No. 8906-BA	3.1	13,722,987	10,951,257
		13,722,987	10,951,257
Designated account - IBRD No. 8906-BA	A.1	1,120,137	993,917
		1,120,137	993,917
Total assets		14,843,124	11,945,174
LIABILITIES			
IBRD Credit No. 8906-BA	3.1	14,843,124	11,945,174
Total liabilities		14,843,124	11,945,174

Signed and authorised by:


Željko Nedić
Minister

Sarajevo, 27 May 2024




Belma Đonko
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 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.

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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.

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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 2023	3.2	1,943,936	993,917
Add:			
IBRD replenishments	B	5,115,964	2,615,751
Deduct:			
Payments of expenditures during the period		4,869,100	2,489,531
Ending balance 31 December 2023	3.2	2,190,800	1,120,137

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APPENDIX B SoE Withdrawal Schedule of IBRD Credit No. 8906-BA for the year ended 31 December 2023

	Initial deposit	Goods, works, consultants' services, and operating costs for Part 1 of the Project	Total application	Total replenished
Previous period	2,000,000	10,951,257	10,951,257	11,945,174
Application 41	-	106,744	106,744	106,744
Application 43	-	175,454	175,454	175,454
Total direct payments 2023	-	282,198	282,198	282,198
Application 39*	-	-	-	1,006,083
Application 40	-	606,428	606,428	606,428
Application 42	-	715,208	715,208	715,208
Application 44	-	288,033	288,033	288,033
Application 45**	-	724,899	724,899	-
Application 46**	-	154,964	154,964	-
Total SoE applications in 2023	-	2,489,532	2,489,532	2,615,752
Total 2023		2,771,730	2,771,730	2,897,950
Cumulative as of 31 December 2023	2,000,000	13,722,987	13,722,987	14,843,124

* Application No. 39 is replenished in 2023, but expenses were made in 2022.

** Applications No. 45 and 46 will be replenished in 2024, but expenses were made in 2023.

APPENDIX C Reconciliation between World Bank's Disbursement Statements in EUR according to the balance sheet as of 31 December 2023; 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	11,945,174	-	11,945,174
Application 39*	1,006,083	-	1,006,083
Application 40	606,428	-	606,428
Application 41	106,744	-	106,744
Application 42	715,208	-	715,208
Application 43	175,454	-	175,454
Application 44	288,033	-	288,033
Total disbursed in 2023	2,897,950	-	2,897,950
Cumulative disbursements as of 31 December 2023	14,843,124	-	14,843,124
Calculated undisbursed balance as of 31 December 2023	1,523,069	-	1,523,069
Undisbursed balance as per World Bank Summary for December 2023	1,523,069	-	1,523,069
Difference	-	-	-