

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

**SECOND EMPLOYMENT SUPPORT
PROJECT**

of the Ministry of Finance and Treasury of
Bosnia and Herzegovina

Financed by:

- IBRD Loan No. 93810 – BA

SECOND EMPLOYMENT SUPPORT PROJECT
of the Ministry of Finance and Treasury of Bosnia and Herzegovina

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SECOND EMPLOYMENT SUPPORT PROJECT
of the Ministry of Finance and Treasury of Bosnia and Herzegovina

1. Introduction

1.1 Objectives of the Project

The objective of the Project is to increase formal private sector employment among targeted groups of registered job seekers in the Republica Srpska.

Components and activities of the Project

The Project consists of the following parts:

Part B.1 Support for Employment Promotion

This component encompasses support for the RS Employment Agency in:

- a) implementing short-term active and passive labour market programs
- b) continuously improving the cost-effectiveness of service delivery to job seekers through better design, outreach, and mediation.

This component is financed through results-based funding structured around five performance-based conditions (PBC), with cumulative targets for each year.

Part B.2 Support for Management systems; Monitoring and Communications

This component includes activities such as:

- a) technical support for evaluating the impact of selected Active Labor Market Programs (ALMPs)
- b) technical support for the development and pilot testing of new accompanying measures for job seekers
- c) analytical work on profiling women with higher employability potential at the margins of the labor market.

SECOND EMPLOYMENT SUPPORT PROJECT
of the Ministry of Finance and Treasury of Bosnia and Herzegovina

1. Introduction (continued)

1.3 Financing of the Project

The State of Bosnia and Herzegovina ("B&H") is the recipient of trust funds made available by International Bank for Reconstruction and Development, in the form of a Loan No. 93810 - BA amounting to the equivalent of EUR 39,000,000.

Under the terms of a subsidiary finance agreement, funds of the equivalent of EUR 14,000,000 have been lent to RS.

The following table specifies categories of Eligible Expenditures that may be financed out of the proceeds of the Loan ("Category"), the allocation of the amounts of the Loan to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each category.

| Category | Amount of the Loan allocated (in EUR) | % of expenditure to be financed |
|--|--|---|
| Eligible Expenditure Programs under Parts 4 B. 1 (1) and B.1(2) of the Project Goods, non-consulting services, consultants' services, Training, and Incremental Operating | 13,850,000 | 100% of expenditures that are covered under Section III of Loan Agreement |
| 5 Costs for Part B.2 of the Project | 115,000 | 100% |
| 7 Front – end fee | 35,000 | |
| Subtotal | 14,000,000 | |

Planned closing date of the Project is 28 February 2026.

2. Independent Auditor's Report

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

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Report on the Project Financial Statements

Opinion

We have audited the accompanying project financial statements of the Republika Srpska part of the Second Employment Support 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 2024, and a summary of significant accounting policies and other explanatory notes for the year then ended, financed under IBRD Loan No. 3981 - BA.

In our opinion, the accompanying project financial statements present fairly, in all material aspects, the financial position of the Project as 31 December 2024, 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

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 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 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, Partner and Certified auditor

Sarajevo, Bosnia and Herzegovina

4 Jun 2025



Aldijana Gabela, Certified Auditor

Project financial statements for the period ended as of 31 December 2024

3.1 Summary of sources and uses of funds under the Loan No. 93810 - BA

| | Ref. | Actual From 1 October 2023 to February 28 2026 | Cumulative From 1 October 2023 to December 31 2024 | Cumulative 2024 | Cumulativ e budget | Cumulati ve variance |
|--|------|--|--|--------------------|-----------------------|----------------------------|
| FINANCING | | | | | | |
| Loan No. 93810 - BA | | | | | 14,000,000 | |
| Front-end fee | | | 35,000 | 35,000 | | - |
| Reimbursement | | | 7,712,898 | 7,712,898 | | |
| Funds returned | | | - | - | | |
| TOTAL FINANCING | 3.2 | | 7,747,898 | 7,747,898 | 14,000,000 | 6,252,102 |
| PROJECT EXPENDITURE | | | | | | |
| <i>By Category</i> | | | | | | |
| Eligible expenditure program | | | 7,656,000 | 7,656,000 | 13,850,00 | 6,194,000 |
| Goods, non-consulting services, consultants' services, Training, and Incremental Operating Costs for Part B 1 of the Project | | | 29,197 | 29,197 | 115,000 | 85,803 |
| Unallocated under Part B 2 of the Project | | | | | | |
| Front - end fee | | | 35,000 | 35,000 | | - |
| TOTAL EXPENDITURE | 3.2 | | 7,720,197 | 7,720,197 | 14,000,000 | 6,279,803 |
| PROJECT EXPENDITURE | | | | | | |
| Increasing job placement through Active Labor Market Programs | | | 3,156,000 | 3,156,000 | 7,850,000 | 4,694,000 |
| Evaluation and re-design of Active Labor Market Programs | | | - | - | 1,000,000 | 1,000,000 |
| Labor market monitoring using public job portal data | | | 500,000 | 500,000 | 500,000 | - |
| Increase in the share of successful matches thanks to intermediation services | | | - | - | 500,000 | 500,000 |
| Support for unemployment benefit payments | | | 4,000,000 | 4,000,000 | 4,000,000 | - |
| Support for Management System; Monitoring and Communications | | | 29,197 | 29,197 | 115,000 | 85,803 |
| Front – end fee | | | 35,000 | 35,000 | 35,000 | - |
| TOTAL EXPENDITURE | 3.2 | | 7,720,197 | 7,720,197 | 14,000,000 | 6,279,803 |

3. Project financial statements for the period ended 28 April 2023 (continued)

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

| Ref. | 31 December 2024 | 31 December 2024 |
|--|---------------------|---------------------|
| ASSETS | | |
| Project expenditure under Loan No. 93810 – BA | 7,720,197 | 35,000 |
| Designated account* | 27,701 | - |
| Total assets | 7,747,898 ✓ | - |
| LIABILITIES | | |
| IBRD Loan No. 93810 - BA | 7,747,898 | - |
| Total liabilities | 7,747,898 | - |

* Designated account relates only for payments goods, non-consulting services, consultants' services, training and incremental operating costs. Payments for eligible expenditure program were made from th budget account.

By insight into IBRD's Historic Transaction Report, the amount of undisbursed balance is adjusted with the amount presented in Project financial statements.

Signed and authorised by:

Ružica Radeljić

Nataša Vučković

Paie, 4 June 2025



Luka Glibo

Nataša Sehovac

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 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 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 EUR.

Interest on Designated account

Interest earned on the Designated account belongs to the Borrower.

APPENDIX A**DESIGNATED ACCOUNT STATEMENT**

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

Account No.: 555-6900066842664

Depository Bank: Nova Banka AD

Related Credit: Loan No. 93810 – BA

Currency: EUR

| | EUR |
|--|------------------|
| Opening balance 1 January 2024 | 0 |
| Add: | |
| IBRD replenishments | 7,747,898 |
| Subtotal | 7,747,898 |
| Deduct: | |
| Payments to suppliers | 7,685,197 |
| Front end Fee* | 35,000 |
| Subtotal | 7,720,197 |
| Ending balance 31 December 2024 | 27,701 |

APPENDIX B SoE Withdrawal Schedule of IBRD Loan No. 93810 - BA

| | Initial deposit | Eligible Expenditure Programs under Parts B 1 | G, nCS, CS, TR, IOC Part B.2 | Front End Fee | Total application | Total disbursed |
|------------------------------------|-----------------|---|------------------------------|------------------|-------------------|------------------|
| Previous years | - | - | - | 35,000.00 | 35,000.00 | 35,000.00 |
| Cumulative 2023 | - | - | - | 35,000.00 | 35,000.00 | 35,000.00 |
| Application No. 1 | - | 2,600,000 | - | - | - | 2,600,000 |
| Application No. 2 | - | 2,200,000 | - | - | - | 2,200,000 |
| Application No. 3 | - | 1,800,000 | - | - | - | 1,800,000 |
| Application No. 4 | - | 500,000 | - | - | - | 500,000 |
| Application No. 5 | - | 556,000 | - | - | - | 556,000 |
| Application P-176895 | - | - | 29,920 | - | - | 2,219 |
| Application P-176895 | - | - | 26,978 | - | - | 2,6978 |
| Total 2024 | - | 7,656,000 | 56.898 | - | 7,747,898 | 7,685,197 |
| Cumulative 31 December 2024 | - | 7,656,000 | 56.898 | 35,000 | 7,747,898 | 7,720,197 |

APPENDIX C**Reconciliation between IBRD's Historic Transaction Report and
IBRD Loan account in EUR according to the to the balance sheet as of
31 December 2024; SoE Withdrawal Schedule of IBRD 93810 – BA**

| | Changes in Loan (in EUR) |
|-------------------------------------|---|
| Original amount | 14,000,000 |
| Disbursed in previous period | 35,000 |
| Withdrawal 1 | 2,600,000 |
| Withdrawal 2 | 2,200,000 |
| Withdrawal 3 | 1,800,000 |
| Withdrawal 4 | 500,000 |
| Withdrawal 5 | 556,000 |
| Direct and advance payments | 56,898.19 |
| Total disbursed in 2024 | 7,712,898.19 |
| Cumulative disbursements | 7,747,898.19 |