

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

BOSNIA AND HERZEGOVINA
FIRM RECOVERY AND SUPPORT POROJECT

of the Ministry of Finance and Treasury of Bosnia and
Herzegovina

Financed by:

- Loan No. 9183 – BA

For the year ended 31 December 2023

BOSNIA AND HERZEGOVINA FIRM RECOVERY AND SUPPORT PROJECT
of the Ministry of Finance and Treasury of Bosnia and Herzegovina

CONTENTS

1	Introduction	1
2	Independent Auditor's Report	3
3	Project financial statements for the year 2023	5
4	Notes to the project financial statements	8

APPENDICES

A.1	Designated account statement – Loan No. 9183 - BA	9
A.2	Ministry of Finance of Republika Srpska Account Statement	10
B	SoE Withdrawal Schedule of IBRD Loan No. 9183- BA	11
C	Reconciliation between World Bank's disbursement statements in EUR and IBRD Loan account in EUR according to the balance sheet as of 31 December 2023 SoE Withdrawal Schedule of Loan No. 9183 - BA	12

BOSNIA AND HERZEGOVINA FIRM RECOVERY AND 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 support recovery of MSMEs affected by COVID-19 through improved access to long-term financing and refocus government programs to support MSMEs' resilience in the aftermath of COVID-19.

Components and activities of the Project

The Project consists of the following parts:

Part A. Federation of Bosnia and Herzegovina, and

Part B. Republika Srpska

Firm recovery and support project

Part A: Federation of Bosnia and Herzegovina

A.1 Line of Credit

Establishment and operation of a revolving credit facility for the provision of Subsidiary Financing to select Participating Financial Institutions to provide Sub-loans to Beneficiary MSMEs.

A.2. Strengthen the institutional and program framework in support of firm recovery and growth

Providing financing for an FBiH Eligible Expenditure Program to support the FBiH Ministry of Development, Entrepreneurship and Crafts to: (1) adopt an annual firm incentive program and allocate budget for programs promoting technology and digital adoption by firms to increase productivity in the aftermath of COVID-19; and (2) (i) establish a monitoring and evaluation mechanism to assess operations and effectiveness of firm support programs and (ii) operate all MSME support programs under a consolidated monitoring and evaluation framework.

A.3.. Project Management

Establishment and operation of a revolving credit facility for the provision of Subsidiary Financing to select Participating Financial Institutions to provide Sub-loans to Beneficiary MSMEs.

Part B: Republika Srpska

B.1 Line of Credit

Establishment and operation of a revolving credit facility for the provision of Subsidiary Financing to select Participating Financial Institutions to provide Sub-loans to Beneficiary MSMEs.

BOSNIA AND HERZEGOVINA FIRM RECOVERY AND SUPPORT PROJECT
of the Ministry of Finance and Treasury of Bosnia and Herzegovina

1. Introduction (continued)

1.1 Objectives of the Project (continued)

B.2. Strengthen the institutional and program framework in support of firm recovery and growth

Providing financing for a Republika Srpska Eligible Expenditure Program to support the Ministry of Economy and Entrepreneurship to: (1) adopt an annual action plan and allocate budget for programs promoting technology and digital adoption by firms to increase productivity in the aftermath of COVID-19; and (2) (i) establish a monitoring and evaluation mechanism to assess operations and effectiveness of firm support programs and (ii) operate all MSME support programs under a consolidated monitoring and evaluation framework.

Implementation Management and Monitoring and Evaluation

Carrying out Project management activities including: (a) the carrying out of financial management and procurement requirements of the Project; (b) the monitoring and evaluation of the Project, including spot checks of the provision of Cash Transfers and social care and beneficiary surveys; and (c) if needed, the recruitment of additional staff/consultants responsible for overall administration, procurement and financial management under country specific projects.

1.2 Financing of the Project

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. 9183 - BA amounting to the equivalent of EUR 56,000,000. Under the terms of a subsidiary finance agreement between Republika Srpska and Bosnia and Herzegovina, funds of the equivalent of EUR 22,400,000 have been lent to Republika Srpska. Categories of cost items to be financed out of the proceeds of the Loan, 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:

Category	Amount of the Loan allocated (in EUR)	% of expenditure to be financed
(4) Sub-loans under Part B.1 of the Project	20,584,000	100%
(5) Eligible expenditures program for Part B.2 of the Project	1,760,000	100%
(6)		Amount payable pursuant to Section 2.03 of the Agreement in accordance with Section 2.07 (b) of the General Conditions
Front-end fee	56,000	
Total – Part B of the Project	22,400,000	

Planned closing date of the Project was 31 December 2024.

2. 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 Republika Srpska part of the Bosnia and Herzegovina Firm Recovery and Support 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 2023, and a summary of significant accounting policies and other explanatory notes for the year then ended, financed under IBRD Loan No. 9183 - 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). 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.

Responsibilities for the Audit of Financial Statements

JIB: 4200960550009 • PDV: 200960550009 • Raiffeisen Bank d.d. BiH: 1610000045270008

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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. 9097-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
31 May 2024




Aldijana Gabela, Certified Auditor

BOSNIA AND HERZEGOVINA FIRM RECOVERY AND SUPPORT PROJECT
of the Ministry of Finance and Treasury of Bosnia and Herzegovina

3. Project financial statements for the year 2023

3.1.1 Summary of sources and uses of funds under the Loan No. 9183 – BA

	Actual 2023	Cumulative 2023	Cumulative 2022	Cumulative 2021	Cumulative budget	Cumulative variance
FINANCING						
<i>Loan No. 9183 –</i>						
<i>BA</i>	-	5,000,000	5,000,000	5,000,000	-	-
SOE		1,355,000				
Replenishments	405,000		950,000	-	-	-
Front-end fee	-	56,000	56,000	56,000	-	-
TOTAL						
FINANCING	405,000	6,411,000	6,006,000	5,056,000	22,400,000	15,989,000
PROJECT EXPENDITURE						
<i>By Category</i>						
(4) Sub-loans under Part B.1. of the Project	1,319,583	1,319,583	-	-	20,584,000	19,264,417
(5) Eligible expenditures program for Part B.2 of the Project	405,000	1,355,000	950,000	-	1,760,000	405,000
(6) Front-end fee	-	56,000	56,000	56,000	56,000	-
TOTAL						
EXPENDITURE	1,724,583	2,730,583	1,006,000	56,000	22,400,000	19,669,417
PROJECT EXPENDITURE						
<i>By component</i>						
(1) Sub-loans	1,319,583	1,319,583	-	-	20,584,000	19,264,417
(2) Eligible expenditures	405,000	1,355,000	950,000	-	1,760,000	405,000
(3) Front – end fee	-	56,000	56,000	56,000	56,000	-
TOTAL						
EXPENDITURE	1,724,583	2,730,583	1,006,000	56,000	22,400,000	19,669,417

BOSNIA AND HERZEGOVINA FIRM RECOVERY AND SUPPORT PROJECT
of the Ministry of Finance and Treasury of Bosnia and Herzegovina

3. Project financial statements for the year 2023

3.1.2 Summary of sources and uses of funds under the Budget of Republika Srpska

	Actual 2023	Cumulative 2023	Cumulative 2022	Cumulative 2021	Cumulative budget	Cumulative variance
FINANCING						
<i>Budget of Republika Srpska Contribution</i>	0	2,390,891	2,390,891	-	-	-
TOTAL FINANCING	0	2,390,891	2,390,891	-	-	(2,390,891)
PROJECT EXPENDITURE						
<i>By Category</i>						
(4) Sub-loans under Part B.1. of the Project	-	-	-	-	-	-
(5) Eligible expenditures program for Part B.2 of the Project	0	2,390,891	2,390,891	-	-	-
TOTAL EXPENDITURE	0	2,390,891	2,390,891	-	-	(2,390,891)
PROJECT EXPENDITURE						
<i>By component</i>						
(1) Sub-loans	-	-	-	-	-	-
(2) Eligible expenditures	0	2,390,891	2,390,891	-	-	(2,390,891)
TOTAL EXPENDITURE	0	2,390,891	2,390,891	-	-	(2,390,891)

BOSNIA AND HERZEGOVINA FIRM RECOVERY AND SUPPORT PROJECT
of the Ministry of Finance and Treasury of Bosnia and Herzegovina

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

		31 December 2023	31 December 2022	31 December 2021
ASSETS				
Project expenditure under IBRD No. 9183 – BA *		1,355,000	950,000	-
Project expenditure under Budget RS Contribution		2,390,891	2,390,891	-
Bank fees (not submitted for replenishment)		426	409	409
Front – end fee		56,000	56,000	56,000
		3,802,317	3,397,300	56,409
Designated account IBRD No. 9183-BA A.1		3,679,989	4,999,591	4,999,591
Designated account IBRD No. 9183-BA A.2			-	-
PFI		1,319,583		
		4,999,573	4,999,591	4,999,591
Total assets		8,801,890	8,396,891	5,056,000
LIABILITIES				
IBRD Loan No. 9183 – BA		6,355,000	5,950,000	5,000,000
Budget RS Contribution		2,390,890	2,390,891	-
Front-end fee		56,000	56,000	56,000
Total liabilities		8,801,890	8,396,891	5,056,000

 Marko Vujnić
 RS PIU Financial Specialist

 Goran Pupac
 RS PIU Project Manager

Signed and authorized by:

Investment-Development Bank of the
 Republic of Srpska
 Dražen Vrhovac, PhD
 Acting director

 Banja Luka, 04th June 2024

BOSNIA AND HERZEGOVINA FIRM RECOVERY AND SUPPORT PROJECT
of the Ministry of Finance and Treasury of Bosnia and Herzegovina

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 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

BOSNIA AND HERZEGOVINA FIRM RECOVERY AND SUPPORT PROJECT
of the Ministry of Finance and Treasury of Bosnia and Herzegovina

Interest earned on the Designated account belongs to the Borrower.

**BOSNIA AND HERZEGOVINA FIRM RECOVERY AND SUPPORT PROJECT
of the Ministry of Finance and Treasury of Bosnia and Herzegovina**

APPENDIX A.1 DESIGNATED ACCOUNT STATEMENT

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

Account No.: 5550000054477061-EUR

Depository Bank: Nova Banka a.d. Banja Luka

Address: Kralja Alfonsa XIII br. 5

Related Credit: IBRD No. 9183 – BA

Currency: EUR

	EUR
Opening balance 1 January 2022	4,999,591
Add:	
IBRD replenishments	-
Subtotal	-
Deduct:	
Payments of expenditures during the period	1,319,583
Funds transferred to subaccounts	-
Bank Fees	18
Subtotal	-
Ending balance 31 December 2023	3.679.989

BOSNIA AND HERZEGOVINA FIRM RECOVERY AND SUPPORT PROJECT
of the Ministry of Finance and Treasury of Bosnia and Herzegovina

APPENDIX A.2
STATEMENT

MINISTRY OF FINANCE OF REPUBLIKA SRPSKA ACCOUNT

Account owned by: Ministry of Finance of Republika Srpska

Account No.: BA395517904801183851-EUR

Depository Bank: Unicredit Banka a.d. Banja Luka

Address: Ul. Marije Bursać br. 7

Related Credit: IBRD No. 9183 – BA

Currency: EUR

	EUR
Opening balance 1 January 2023	-
Add:	
IBRD replenishments	405,000
Subtotal	405,000
Deduct:	
Payments of expenditures during the period	405,000
Funds transferred to subaccounts	-
Subtotal	-
Ending balance 31 December 2023	-

BOSNIA AND HERZEGOVINA FIRM RECOVERY AND SUPPORT PROJECT
of the Ministry of Finance and Treasury of Bosnia and Herzegovina

APPENDIX B SoE Withdrawal Schedule of IBRD Loan No. 9183 – BA

	Initial deposit	Goods, Sub-loans under Part B.1. of the Project	Eligible expenditures program for Part B.2 of the Project	Front – end fee	Total application	Total disbursed
Previous period	5,000,000	-	950,000	56,000	1,006,000	6,006,000
Application 3	-	-	405,000	-	405,000	405,000
Total SoE applications 2023	-	-	405,000	-	405,000	405,000
Cumulative 2023	-	-	1,355,000	56,000	1,411,000	6,411,000

BOSNIA AND HERZEGOVINA FIRM RECOVERY AND SUPPORT PROJECT
of the Ministry of Finance and Treasury of Bosnia and Herzegovina

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. 9183 – BA

	Changes in Loan No. 9183- BA (in EUR)
Original amount	22,400,000
Disbursed in previous years	6,006,000
Withdrawal 2	405,000
Total disbursed in 2023	405,000
Cumulative disbursements	6,411,000
Calculated undisbursed balance as of 31 December 2023	15,989,000
Undisbursed balance as per World Bank Summary for December 2023	15,989,000