

Report on the Republika Srpska

**Sava and Drina Rivers Corridors Integrated
Development Program Using the
Multiphase Programmatic Approach**

of the Ministry of Finance and Treasury of Bosnia and
Herzegovina

Financed by:

- IBRD 9129-BA

For the year ended 31 december 2022

**Sava and Drina Rivers Corridors Integrated Development Program Using the
Multiphase Programmatic Approach
Ministry of Finance and Treasury of Bosnia and Herzegovina**

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1. Introduction

1.1 Objectives of the Project

The objective of the Project (phase I of the Program) is to improve flood protection and enhance transboundary water cooperation in the Sava and Drina Rivers Corridors. This regional program, through a range of studies, policy dialogue and investments would aim to strengthen capabilities and economic development of the both entities, by jointly selecting priorities for support in technical assistance, dialogue, institutional strengthening, and investment with focus on the accession process non-EU members and compliance agenda of new members.

1.2 Components and activities of the Project

The Project is comprised of the following three components:

Component 1: Integrated Management and Development of the Sava River Corridor

This component would support the integrated development of the Sava river corridor through a series of multipurpose investments to improve connectivity, trade and services along of the Sava River waterway, mitigate risks of flooding and to revitalize environmental assets. The component would finance investments in river training works to give more room for the river, renovation and upgrading of flood protection infrastructure, development of riverine flood plains and wetlands as flood attenuation areas, upgrading the capacity of the Sava waterway, improvement of port facilities and associated services. River basin planning and management would be supported by strengthening of institutional capacity, stakeholder's participation, enhancement of transboundary cooperation, knowledge sharing and joint studies. The Component is comprised of the following subcomponents:

Sub-component 1.1: Flood protection and environmental management. This sub-component will also finance construction and rehabilitation of embankments at selected priority areas along the Sava River Corridor.

Sub-component 1.2: This sub-component will finance provision of support to carry out waterway improvements through the demining of the right bank of the Sava river corridor.

Sub-component 1.3: This sub-component will finance provision of support to carry out waterway improvements through the demining of the right bank of the Sava river corridor.

Component 2: Integrated Management and Development of along the Drina River Corridor

The Component is comprised of the following subcomponents:

Sub-component 2.1: The sub-component will finance provision of support to finance flood protection and environmental management investments of embankments at selected priority areas along the Drina Corridor.

Sub-component 2.2: The sub-component will finance provision of support to carry out the integrated development of selected parts of the Lim watershed in Drina corridor.

Component 3: Project preparation and management

The Component is comprised of the following subcomponents:

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1. Introduction (continued)

Sub-component 3.1: This sub-component will finance provision of support to finance the preparation of the second phase of the MPA Program, including environmental and social safeguard assessments.

Sub-component 3.2: This sub-component will finance provision of support to (a) increase the institutional capacity and inter-sectoral coordination in the Participating Beneficiaries to ensure a more efficient decision-making process and program management at the regional level; and (b) carry out Project management activities, including financial management and procurement, monitoring and evaluation, carrying out of audits, safeguards and implementation of grievance redress mechanisms, and reporting for Parts 1.1, 2.1 and 3 of the Project.

Component 4: Regional Cooperation

The Component is comprised of the following subcomponents:

Sub-component 4.1: Participation in the improvement of policy dialogue activities and consultations, outreach and communication campaigns and preparation of plans and studies to strengthen the nexus between water services and connectivity with the regional development and economic integration objectives of the Sava and Drina River Corridor.

Sub-component 4.2: Participation in the activities of the relevant regional entities supporting regional coordination activities for the Sava and Drina Corridors.

1.3 Financing of the Project:

1.3.1 IBRD 9129-BA

The State of Bosnia and Herzegovina ("B&H") is the borrower of the International Bank for Reconstruction and Development IBRD 9129-BA amounting to the equivalent of EURO 30,000,000.

Under the terms of a subsidiary finance agreement between B&H and RS funds of the equivalent of EURO 30,000,000 have been lent to RS.

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1. Introduction (continued)

1.3.2 Financing of the Project

Categories of cost items to be financed out of the proceeds of the Credit, 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 (expressed in Euro)	Percentage of Expenditures to be financed (inclusive of Taxes)
Goods, works, non-consulting services, consulting services, Operating Costs and Training for Parts 1.1, 2.1 and of the Project to be carried out by RS	29,925,000	100%
Front-end Fee	75,000	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 AMOUNT	30,000,000	

IBRD 9129-BA became effective on 7 June 2021 and closing date is 30 July 2026.

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 the Sava and Drina Rivers Corridors Integrated Development Program Using the Multiphase Programmatic Approach, 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 2022, and a summary of significant accounting policies and other explanatory notes for the year then ended, financed under IRBD Credit No. 9129 - 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. 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 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.

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

Jasmina Oručević, Director



Aldijana Gabela, Certified Auditor

Sarajevo, 3 May 2023

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

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(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. 9129 - BA

	Ref.	Actual 2022	Cumulative 2022	Cumulative 2021	Cumulative budget	Cumulative variance
FINANCING						
<i>IBRD Credit No.9129-BA</i>					30,000,000	
Initial deposit		-	4,000,000	4,000,000		
Direct payments		-	-	-		
Reimbursement		-	-	-		
SoE replenishments		623,147	623,147	-		
Front-end Fee		-	75,000	75,000		
TOTAL FINANCING	3.1	623,147	4,698,147	4,075,000	30,000,000	25,301,853
PROJECT EXPENDITURE						
<i>By Category</i>						
Goods, works nonconsulting services, consultants' services, Operating Costs and Training for Parts 1.1, 2.1 and 3 of the Project to be carried out by RS		729,674	770,991	41,317	29,925,000	29,154,009
Front-end Fee		-	75,000	75,000	75,000	-
TOTAL EXPENDITURE	3.1	729,674	845,991	116,317	30,000,000	29,154,009
PROJECT EXPENDITURE						
<i>By Component</i>						
Integrated Management and Development of the Sava River Corridor		338,194	338,194	-	26,830,000	26,491,806
Integrated Management and Development of along the Drina River Corridor		-	-	-	-	-
Project preparation and management		391,480	507,797	116,317	2,401,579	1,893,782
Regional Cooperation		-	-	-	-	-
Unallocated		-	-	-	768,421	768,421
TOTAL EXPENDITURE	3.2	729,674	845,991	116,317	30,000,000	29,154,009

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

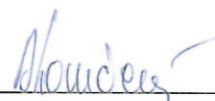
3.2 Balance sheet as of 31 December 2022 showing accumulated funds of the Project and bank balances concerning World Bank funding

	Ref.	31 December 2022	31 December 2021
ASSETS			
Project expenditure under IBRD Credit No. 9129 - BA	3.1	845,991	116,317
Designated bank account - IBRD Credit No. 9129 - BA	A	3,852,156	3,958,683
Total assets		4,698,147	4,075,000
LIABILITIES			
IBRD Credit No. 9129 - BA	C	4,698,147	4,075,000
Total liabilities		4,698,147	4,075,000

Signed and authorised by:



Mr Stefan Mitrović
APCU Director



Anđelka Kovačević
Accountant

Banja Luka, 3 May 2023

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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 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 Credit 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 IDA Credit 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.

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APPENDIX A

DESIGNATED ACCOUNT STATEMENT

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

Account No.: 555000-00535592-47

Depository Bank: Nova banka a.d. Banja Luka

Address: Kralja Alfonsa XIII 37a

Related Credit: IBRD Credit No. 9129 - BA

Currency: EUR

	Ref.	EUR
Opening balance 1 January 2022	3.2	3,958,683
Add:		
World Bank replenishments	B	623,147
		623,147
Deduct:		
Payments to suppliers - Expenditure under IBRD Credit No. 9129 - BA		729,674
		729,674
Ending balance 31 December 2022	3.2	3,852,156

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APPENDIX B SoE Withdrawal Schedule of IRBD Credit No. 9129 - BA

	Changes in IRBD Credit (in EUR)
Original amount	30,000,000
Disbursed in previous years	-
Front-end Fee (WB Transaction No. 0001)	75,000
Withdrawal 01	4,000,000
Total disbursed in 2021	4,075,000
Withdrawal 2	623,147
Withdrawal 3	-
Total disbursed in 2022	623,147
Cumulative disbursements as of 31 December, 2022	4,698,147
Calculated undisbursed balance as of 31 December, 2022	25,301,853
Undisbursed balance as per World Bank Summary for December 2022	25,301,853

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APPENDIX C Reconciliation between World Bank's disbursement statements in EUR and IBRD Credit account in EUR according to the balance sheet; SoE Withdrawal Schedule of IBRD Credit No. 9129 - BA

	Initial deposit	Goods, works nonconsulting services, consultants' services, Operating Costs and Training for Parts 1.1, 2.1 and 3 of the Project to be carried out by RS	Front-end Fee	Total application	Total replenished
Previous years	4,000,000	41,317	75,000	4,116,317	4,075,000
Application 02*	-	581,830	-	581,830	623,147
Application 03	-	147,844	-	147,844	-
Total 2022	-	729,674	-	729,674	623,147
As of 31 December 2022	4,000,000	770,991	75,000	4,845,991	4,698,147

** Total Application No. 02 amounts to BAM 623,147. Expenses for the year 2022 for Application 02 are reduced for amount of BAM 41,317 for expenses made in 2021.