

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

**Water and Sanitation Services
Modernization Project**

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

- IBRD Loan Number 93020-BA

For the period ended 31 December 2024

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WATER AND SANITATION SERVICES MODERNIZATION PROJECT
of the Ministry of Finance and Treasury of Bosnia and Herzegovina
Project financial statements for the year ended 31 December 2024
(all amounts in EUR, unless otherwise stated)

1. Introduction

1.1. Objectives and activities of the Project

The objective of the Water and Sanitation Services Modernization Project (the “Project”) is to support Bosnia and Herzegovina to: (i) strengthen the institutional capacity at the Republika Srpska, Federation of Bosnia and Herzegovina and local level for improved water supply and sanitation service delivery, (ii) improve access to safely managed WSS services, and (iii) improve efficiency of WSS service providers in participating local governments.

Components and activities of the Project

The Project is comprised of the following components:

Component 1: Improving the institutional capacity for sector modernization

The main activities include supporting WSS sector reforms at the Republika Srpska level and carrying out project management and sector reform coordination.

Component 2: Supporting Support for water services sector reforms on the local level

The main activities include supporting water services sector reforms at the local level.

Component 3: Improving access to safely managed WSS services and efficiency of WSS service providers

The main activities include carrying out Sub-Projects under BPs including: performance and efficiency improvements but not limited to the implementation of Non-Revenue Water Reduction, energy efficiency programs and improvements in metering and commercial systems and constructing, upgrading and modernizing WSS infrastructure, including water treatment and distribution facilities and wastewater collection and treatment facilities to increase the reliable water supply and climate resiliency targeted communities.

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1. Introduction (continued)

1.3. Financing of the Project

The State of Bosnia and Herzegovina ("B&H") is the borrower of International Bank for Reconstruction and Development (IBRD) Loan No. 93020-BA amounting to the equivalent of EUR 51,500,000.

Under the terms of a subsidiary finance agreement between B&H and RS, funds of the equivalent of EUR 26,500,000 have been lent to RS.

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	Loan amount allocated (EUR)	% of expenditures to be financed
(3) Goods, works, non-consulting services, consulting services, training and operating costs for the Project under Part B.3.	23,933,750	100%
(4) Goods, works, non-consulting services, consulting services, training and operating costs for Part B.1. of the Project	2,500,000	100%
Front-end Fee	66,250	100%
Total	26,500,000	100%

IBRD Loan 93020 - BA became effective on 11 August 2023. Planned closing date was 30 November 2027.



Independent Auditor's Report

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

Baker Tilly Re Opinion d.o.o.

Bulevar M Selimovića 81a

71000 Sarajevo

Bosna i Hercegovina

T: +387 (0) 33 525 226

info@bakertilly.ba

www.bakertilly.ba

Report on the Project Financial Statements

Opinion

We have audited the accompanying project financial statements of the Republika Srpska part of the Water and Sanitation Services Modernization 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 2024, and a summary of significant accounting policies and other explanatory notes for the year then ended, financed under IBRD Loan Number 93020-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 2024, and of the funds received and disbursed during the period 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

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
Sarajevo, 29 April 2025



Aldijana Gabela, Certified Auditor

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of the Ministry of Finance and Treasury of Bosnia and Herzegovina
Project financial statements for the year ended 31 December 2024**

(all amounts in EUR, unless otherwise stated)

2. Project financial statements for the period ended 31 December 2024

2.1. Summary of Sources and Uses of Funds under the IBRD Loan No. 93020 - BA

	Ref.	Actual 2024	Cumulative 2024	Cumulative budget	Cumulative variance
FINANCING					
IBRD Loan No. 93020-					
BA	3.1.1	3,066,250	3,066,250	26,500,000	23,433,750
TOTAL FINANCING	3.2	3,066,250	3,066,250	26,500,000	23,433,750
PROJECT EXPENDITURE					
<i>By Category</i>					
(3) Goods, works, non-consulting services, consulting services, training and operating costs for the Project under Part B.3.		5,769	5,769	23,933,750	23,927,981
(4) Goods, works, non-consulting services, consulting services, training and operating costs for Part B.1. of the Project		256,211	256,211	2,500,000	2,243,789
Front-end Fee		66,250	66,250	66,250	-
TOTAL EXPENDITURE	3.2	328,230	328,230	26,500,000	26,171,770
PROJECT EXPENDITURE					
<i>By Component</i>					
Improving the institutional capacity for sector modernization		256,211	256,211	2,500,000	2,243,789
Improving acces to safety managed WSS services and the efficiency of WSS service providers		5,769	5,769	23,933,750	23,927,981
Front-end Fee		66,250	66,250	66,250	-
TOTAL EXPENDITURE	3.2	328,230	328,230	26,500,000	26,171,770

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3. Project financial statements for the period ended 31 December 2024 (continued)

3.1.1 Summary of Sources and Uses of Funds under the IBRD Loan No. 93020 - BA

Ref	Actual 2024	Cumulative 2024	Cumulative budget	Cumulative variance
FINANCING				
<i>IBRD Loan No.</i>				
93020-BA	-	-	26,500,000	
Initial deposit	3,000,000	3,000,000	-	
Front-end Fee	66,250	66,250	-	
TOTAL FINANCING 3.1	3,066,250	3,066,250	26,500,000	23,433,750
PROJECT EXPENDITURE				
<i>By Category</i>				
(3) Goods, works, non-consulting services, consulting services, training and operating costs for the Project under Part B.3.	5,769	5,769	23,933,750	23,927,981
(4) Goods, works, non-consulting services, consulting services, training and operating costs for Part B.1. of the Project	256,211	256,211	2,500,000	2,243,789
Front-end Fee	66,250	66,250	66,250	-
TOTAL EXPENDITURE 3.2	328,230	328,230	26,500,000	26,171,770

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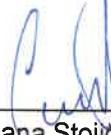
3. Project financial statements for the year 2024 (continued)

3.2 Balance sheet as of 31 December 2024 showing accumulated funds of the Project and bank balances concerning World Bank funding

	Ref.	31 December 2024	31 December 2023
ASSETS			
Project expenditure IBRDD Loan No. 93020-BA	3.1.1	328,230	-
		328,230	-
Designated account - <i>IBRD</i> Loan No. 93020-BA	A.1	2,738,020	-
		2,738,020	-
Total assets		3,066,250	-
LIABILITIES			
<i>IBRD</i> Loan No. 93020-BA	3.1.1	3,066,250	-
Total liabilities		3,066,250	-

Signed and authorised by:


Mr Stefan Mitrović
APCU Director


Dragana Stojčić
Financial Manager

Banja Luka, 29 April 2025

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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 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 Loan 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 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.

Designated account

This is the total amount of the withdrawals from the Loan account for the Project. The Loan account is in EUR.

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.: 5550000063086102

Depository Bank: Sberbank a.d. Banjaluka

Address: Jevrejska 71, Banjaluka

Related Credit: IBRD Loan No. 93020-BA

Currency: EUR

	Ref.	EUR
Opening balance 1 January 2024	3.2	-
Add:		
World Bank replenishments	3,000,000	<u>3,000,000</u>
Deduct:		
Payments to suppliers - Expenditure under IBRD Loan	261,980	<u>261,980</u>
Ending balance 31 December 2024	3.2	2,738,020

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APPENDIX B. SoE Withdrawal Schedule of IBRD Loan No. 93020 - BA for the year ended 31 December 2024

	Initial deposit	Goods, works, non-consulting services, consulting services, training and operating costs for the Project under Part B.3.	Goods, works, non-consulting services, consulting services, training and operating costs for Part B.1. of the Project	Front-end Fee	Total application	Total replenished
Application 1	3,000,000	-	-	-	-	3,066,250
Front-end Fee	-	-	-	66,250	66,250	-
Total initial deposit and Front-end Fee	3,000,000			66,250	66,250	3,066,250
Application 2	-	5,769	256,211	-	261,980	-
Total SoE applications 2024	3,000,000	5,769	256,211	-	261,980	-
Cumulative 2024	3,000,000	5,769	256,211	66,250	328,230	3,066,250

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**APPENDIX C Reconciliation between World Bank's disbursement statements in EUR and
 IBRD Loan account in EUR according to the balance sheet; SOE Withdrawal Schedule of
 IBRD Loan Number 93020 - BA**

	Changes in IBRD Loan (EUR)	Exchange rate used	Changes in IBRD Loan (EUR)
Original amount	26,500,000	-	26,500,000
Front-end Fee	66,250	-	66,250
Withdrawal 01	3,000,000	-	3,000,000
Cumulative disbursements as of 31 December 2024	3,066,250	-	3,066,205
Calculated undisbursed balance as of 31 December 2024	23,433,750	-	23,433,750
Undisbursed balance as per World Bank Summary for December 2024	23,433,750	-	23,433,750
Potential exchange rate loss	-	-	-