

Report on the Consolidated Project Financial Statements of  
the

**EMPLOYMENT SUPPORT PROJECT**

of the Ministry of Finance and Treasury of Bosnia and  
Herzegovina

Financed by:

- IBRD 8687- BA

For the year ended 31 December 2021

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

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**1. Introduction**

**1.1 Objectives of the Project**

The State of Bosnia and Herzegovina is borrower of the International Bank for Reconstruction and development (IBRD) Loan No. 8687-BA amounting to the EUR 50,000,000. Under the terms of a subsidiary finance agreements between B&H and FB&H and RS, funds of the equivalent of EUR 29,000,000 have been lent to FB&H and on the other side funds of the equivalent of EUR 21,000,000 have been lent to RS.

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

**1.2 Components and activities of the Project**

The Project is comprised of the following two components:

***Component 1: Support for Employment Promotion***

1. Implementation of the Active Labour Market Programs, including inter alia, by providing one of the job training, developing skills and providing grants to unemployed persons for Self-Employment.
2. Implementation of a range of intermediation measures to promote employment including by providing:
  - a. services for job seekers by improving in-take registration processes, offering counselling services, developing Individual Action Plans and monitoring progress on placement of jobseekers; and
  - b. services for employers by promoting better outreach and communication and providing human resources and automated services.

***Component 2: Support for Management Systems, Monitoring and Communications***

Strengthening the capacity of the Federation and RS PES to monitor ALMP's and employment services by:

1. Upgrading its information technology system to carry out a range of services including enabling data exchange amongst employment bureaus and other institutions offering online services, monitoring online services offered to job seekers and employers, monitoring branch/local office's performance and monitoring and disseminating labour market trends; and
2. Preparing and implementing an effective communication strategy targeting jobseekers, employers and policy-makers.

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**1. Introduction (continued)**

**1.3 Financing of the Project**

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:

Category	Amount of the Loan allocated (in EUR)	% of expenditures to be financed (Inclusive of taxes)
(1) Eligible Expenditure Programs under Parts A.1 (1) and A.1 (2) of the Project	26,400,000	100% of expenditures that are covered under Section IV.B.1 (a) of the Schedule and 50% for others
(2) Goods, non-consulting services, consultants' services, Training, and Incremental Operating Costs for Part A.2 of the Project	1,300,000	100%
(3) Unallocated under Part A of the Project	1,227,500	100%
(4) Eligible Expenditure Programs under Parts B.1(1) and B.1(2) of the Project	20,000,000	100% of expenditures that are covered under Section IV.B.7 (a) of Loan Agreement Schedule 2 and 50% for others
(5) Goods, non-consulting services, consultants' services, Training, and Incremental Operating Costs for Part B.2 of the Project	500,000	100%
(6) Unallocated under Part B of the Project	447,500	100%
(7) Front-end Fee	125,000	Amount payable pursuant to Section 2.03 of Loan Agreement in accordance with Section 2.07 (b) of the General Conditions
(8) Interest Rate Cap or Interest Rate Collar premium	-	Amount due pursuant to Section 2.08(c) of Loan Agreement
<b>Subtotal</b>	<b>50,000,000</b>	

IBRD Loan No. 8687-BA become effective on 26 January 2018. Planned closing date is 1 October 2021. Project was extended and new closing date is 1 October 2022.

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**1. Introduction (continued)**

After reallocation financing of the Project in 2021, new revised withdrawal table can be presented as follows:

Category	Amount of the Loan allocated (in EUR)	% of expenditures to be financed (Inclusive of taxes)
(1) Eligible Expenditure Programs under Parts A.1 (1) and A.1 (2) of the Project	28,518,900	100% of expenditures that are covered under Section IV.B.1 (a) of the Schedule and 50% for others
(2) Goods, non-consulting services, consultants' services, Training, and Incremental Operating Costs for Part A.2 of the Project	408,600	100%
(3) Unallocated under Part A of the Project	-	100%
(4) Eligible Expenditure Programs under Parts B.1(1) and B.1(2) of the Project	20,847,500	100% of expenditures that are covered under Section IV.B.7 (a) of Loan Agreement Schedule 2 and 50% for others
(5) Goods, non-consulting services, consultants' services, Training, and Incremental Operating Costs for Part B.2 of the Project	100,000	100%
(6) Unallocated under Part B of the Project	-	100%
(7) Front-end Fee	125,000	Amount payable pursuant to Section 2.03 of Loan Agreement in accordance with Section 2.07 (b) of the General Conditions
(8) Interest Rate Cap or Interest Rate Collar premium	-	Amount due pursuant to Section 2.08(c) of Loan Agreement
<b>Subtotal</b>	<b>50,000,000</b>	

Baker Tilly Re Opinion d.o.o.  
Grbavička 4  
71000 Sarajevo  
Bosna i Hercegovina

T: +387 (0) 33 552 150  
F: +387 (0) 33 552 152

info@bakertilly.ba  
www.bakertilly.ba

## **Independent Auditor's Report**

To the State of Bosnia and Herzegovina,

Ministry of Finance and Treasury

Attn. of Minister of Finance and Treasury H.E. Mr. Vjekoslav Bevanda

## **Report on the Project Financial Statements Opinion**

We have audited the accompanying consolidated project financial statements of the Employment Support Project (the "Project"), which comprise of Summary of sources and uses of funds, Balance sheet, Designated account, Statements of grant withdrawals as of and for the year ended 31 December 2021, and a summary of significant accounting policies and other explanatory notes for the year then ended, financed under IBRD Loan No. 8687 - BA.

In our opinion, the accompanying consolidated project financial statements present fairly, in all material aspects, the financial position of the Project as of 31 December 2021, 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 Consolidated 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 Consolidated Project Financial Statements**

The management of project implementation unit in FB&H and management of project coordination unit in RS are responsible for the preparation of separate project financial statements in accordance with the cash basis of accounting based on IPSAS, as described in Note 4.1., the 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 separate project financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the separate 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. These consolidated financial statements are sum of separate project financial statements.

## **Responsibilities for the Audit of Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

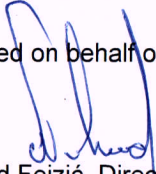
- Identify and assess the risks of material misstatement of the consolidated project financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The 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 consolidated 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 consolidated project financial statements, including the disclosures, and whether the consolidated 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 has been maintained to support claims for reimbursements of expenditures occurred and such expenditure were eligible and incurred for the purpose intended under the financing funds. 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

  
Nihad Fejzić, Director and Certified Auditor

Sarajevo, 25 May 2022



  
Ezita Imamović, Certified Auditor



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Consolidated project financial statements for the year ended 31 December 2021

**3. Consolidated project financial statements for the year 2021**

**3.1 Summary of Sources and Uses of Funds under the IBRD 8687 - BA**

	Ref.	Actual 2021	Cumulative 2021	Cumulative 2020	Cumulative budget	Cumulative variance
<b>FINANCING</b>						
<i>IBRD 8687 - BA</i>					50,000,000	
Initial deposit		-	100,000	100,000		
Front-end fee		-	125,000	125,000		
Reimbursement	9,065,000	9,065,000	40,235,047	31,170,047		
SoE Replenishment	58,520	58,520	251,264	192,744		
Interest		-	4	4		
<b>TOTAL FINANCING</b>	<b>3.2</b>	<b>9,123,520</b>	<b>40,711,315</b>	<b>31,587,795</b>	<b>50,000,000</b>	<b>9,288,685</b>

**PROJECT  
EXPENDITURE**

**By Category**

1. Eligible Expenditure						
Programs	9,065,000	9,065,000	40,185,047	31,120,047	49,366,400	9,181,353
2. G, nCS, CS, TR, IOC	97,893	97,893	329,841	231,948	508,600	178,759
3. Unallocated under Part A and Part B of the Project		-	-	-	-	-
Front End Fee		-	125,000	125,000	125,000	-
<b>TOTAL EXPENDITURE</b>	<b>3.2</b>	<b>9,162,893</b>	<b>40,639,888</b>	<b>31,476,995</b>	<b>50,000,000</b>	<b>9,360,112</b>

**PROJECT  
EXPENDITURE**

**By Component**

1. Support for Employment Promotion	9,065,000	9,065,000	40,185,047	31,120,047		
2. Supporting Monitoring, Management Systems, and Communications	97,893	97,893	329,841	231,948		
3. Unallocated		-	-	-		
Front End Fee		-	125,000	125,000		
<b>TOTAL EXPENDITURE</b>	<b>3.2</b>	<b>9,162,893</b>	<b>40,639,888</b>	<b>31,476,995</b>	<b>50,000,000</b>	<b>9,360,112</b>

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Consolidated project financial statements for the year ended 31 December 2021

**3. Consolidated project financial statements for the year 2021 (continued)**

**3.2 Balance sheet as of 31 December 2021 showing accumulated funds of the Project and bank balances concerning IBRD financing**

	Ref.	31 December 2021	31 December 2020
<b>ASSETS</b>			
Project expenditure IBRD 8687 – BA	3.1.	40,639,888	31,476,995
		<b>40,639,888</b>	<b>31,476,995</b>
Designated account IBRD 8687 – BA FB&H	A	59,704	80,906
Designated account IBRD 8687 – BA RS *		11,627	29,798
Petty Cash – FB&H		96	96
		<b>71,427</b>	<b>110,800</b>
<b>Total assets</b>		<b>40,711,315</b>	<b>31,587,795</b>
<b>LIABILITIES</b>			
IBRD 8687 - BA	3.1.	40,711,315	31,587,795
<b>Total liabilities</b>		<b>40,711,315</b>	<b>31,587,795</b>

\* 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 the budget account (RS only).

-By insight into IBRD's Historic Transaction Report, the amount of undisbursed balance is adjusted with the amount presented in Project financial statements for the 2021 year.

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Consolidated project financial statements for the year ended 31 December 2021

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**4. Notes to the consolidated project financial statements**

**4.1 Basis of preparation and accounting records**

These consolidated 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.

**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 IBRD Loan account.

***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 IBRD disbursement specialist who authorizes the payment of the expenditure through the Designated account.

***Currency conversions***

The reporting currency is Euro (EUR). Sources and use of funds 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 IBRD Loan account for the Project. IBRD Loan account is in EUR.

***Interest on Designated accounts***

Interest earned on the Designated accounts belongs to the Borrower.

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Consolidated project financial statements for the year ended 31 December 2021

**APPENDIX A.1**

**DESIGNATED ACCOUNT STATEMENT (FB&H only)**

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

**Account No.:** BA393387304805265538

**Depository Bank:** Unicredit bank d.d.

**Address:** Kardinala Stepinca bb, Mostar

**Related Credit:** IBRD 8687 - BA

**Currency:** EUR

	Ref.	EUR
<b>Opening balance 1 January 2021</b>	3.2	<b>80,906</b>
Add:		
IBRD replenishments	B	58,520
		<u>58,520</u>
Deduct:		
Payments of expenditure during the period	3.1	79,722
Transfer to petty cash		-
		<u>79,722</u>
<b>Ending balance 31 December 2021</b>	3.2	<b>59,704 *</b>

\* Ending balance according to bank statement dated 31 December 2021 amounts to EUR 59,700. Difference in amount of EUR 4 refers to interest which were not recorded due to problem in receiving bank statements by email during 2021 because the bank was sending bank statements from different IP addresses which were classified as spam.

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**APPENDIX A.2**

**PETTY CASH – (FB&H only)**

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

**Account No.:** BA393387304805265538

**Related Credit:** IBRD 8687

**Currency:** BAM

	Ref.	EUR
<b>Opening balance 1 January 2021</b>	3.2	<u>96</u>
Add:		
Transfer from designated account	A.1	<u>-</u>
		<u>-</u>
Deduct:		
Payments of expenditures during the period		<u>-</u>
		<u>-</u>
<b>Ending balance 31 December 2021</b>	3.2	<u>96</u>



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 (all amounts in EUR, unless otherwise stated)

<b>APPENDIX B</b>		<b>SoE Withdrawal Schedule of IBRD 8687 - BA for the year ended 31 December 2021</b>					
	<b>Initial deposit</b>	<b>Eligible Expenditure under Programs A1. (1) and A.1(2)</b>	<b>Eligible Expenditure under Programs B2</b>	<b>G, nCS, CS, TR, IOC Part A.2</b>	<b>Front End Fee</b>	<b>Total application</b>	<b>Total disbursed</b>
<b>Previous years</b>	100,000	19,500,000	11,620,047	231,948	125,000	31,476,995	31,587,791
<b>Total Initial deposit 2021</b>	-	-	-	-	-	-	-
<b>Total Direct payments</b>							
<b>2021</b>	-	-	-	-	-	-	-
Application No. 7 (RS)	-	-	3,947,000	-	-	3,947,000	3,947,000
Application No. 15 (FBiH)	-	3,118,000	-	-	-	3,118,000	3,118,000
Application No. 16 (FBiH)	-	2,000,000	-	-	-	2,000,000	2,000,000
<b>Total Reimbursements</b>	-	-	-	-	-	-	-
<b>2021</b>	-	5,118,000	3,947,000	-	-	9,065,000	9,065,000
Application No. 8 (RS)	-	-	-	18,171	-	18,171	-
Application No. 14 (FBiH) *	-	-	-	-	-	-	19,002
Application No. 17 (FBiH)	-	-	-	39,518	-	39,518	39,518
Application No. 19 (FBiH) **	-	-	-	40,204	-	40,204	-
<b>Total SoE application 2021</b>	-	-	-	97,893	-	97,893	58,520
<b>Cumulative 2021</b>	-	5,118,000	3,947,000	97,893	-	97,893	9,123,520
<b>Cumulative 31 December 2021</b>	100,000	24,618,000	15,567,047	329,841	125,000	40,639,888	40,711,311

\* The replenished amount refers to expenses made in 2020 for which funds were received in 2021.

\*\* This amount refers to expenses made in 2021 that will be submitted for replenishment in the upcoming period.

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Consolidated project financial statements for the year ended 31 December 2021  
*(all amounts in EUR, unless otherwise stated)*

**APPENDIX C      Reconciliation between World Bank's disbursement statements and  
IBRD Loan account in EUR according to the to the balance sheet as of  
31 December 2021; SoE Withdrawal Schedule of IBRD 8687 - BA**

	<b>Changes in IFAD Loan (in EUR)</b>
<b>Original amount</b>	<b>50,000,000</b>
<b>Disbursed in previous period</b>	<b>31,587,791</b>
Withdrawal 7 (RS)	3,947,000
Withdrawal 14	19,002
Withdrawal 15	3,118,000
Withdrawal 16	2,000,000
Withdrawal 17	39,518
<b>Total disbursed in 2021</b>	<b>9,123,520</b>
<b>Cumulative disbursements</b>	<b>40,711,311</b>
<b>Calculated undisbursed balance as of 31 December 2021</b>	<b>9,288,689</b>
<b>Undisbursed balance as per IBRD's Historic Transaction Report</b>	<b>9,288,689</b>
<b>Difference</b>	<b>-</b>