
Report on the Federation Part of the Project
Financial Statements of the
ENERGY EFFICIENCY PROJECT

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

- IDA Loan No. 5393 BA
- IDA Loan No. 5538 BA

For the year ended 31 December 2019

**ENERGY EFFICIENCY PROJECT
of the Ministry of Finance and Treasury of Bosnia and Herzegovina**

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ENERGY EFFICIENCY PROJECT of the Ministry of Finance and Treasury of Bosnia and Herzegovina

1. Introduction

1.1 Objectives of the Project

The Project Development Objective (PDO) of the Energy Efficiency Project (BEEP) is to demonstrate the benefits of energy efficiency improvements in public sector buildings and support the development of scalable energy efficiency financing models.

1.2 Components and activities of the Project

The Project consists of the following components and activities:

Component 1: Energy efficiency investments in public facilities

This component will support energy efficiency investments ('subprojects') in schools, hospitals and clinic centres. A small number of other public facilities (e.g., elderly homes, orphanages, other administrative buildings) may also be included. The component will finance energy efficiency upgrades, as well as related technical consultancy services (e.g., energy audits, technical and social M&E before and after subproject implementation, technical designs, supervision and subproject commissioning). These investments will reduce the energy consumption of selected public buildings, and demonstrate the economic viability of energy efficiency improvements, including reduced recurring energy costs and associated public expenditures. In addition, the subprojects will generate demonstrable co-benefits, such as reduced CO2 emissions and improved indoor comfort levels (e.g., improved indoor temperature, better lighting and indoor air quality).

Component 2: Support for the development of scalable financing mechanisms and capacity buildings

This component will support the development of sustainable energy efficiency financing mechanisms in the public sector, strengthen implementation capacity and help to increase public awareness on energy efficiency. The main activities supported will include:

Activity 1 – Issues and Options Study on scalable financing mechanisms

This activity will finance an in-depth Issues and Options Study on scalable financing mechanisms for energy efficiency, which will be conducted during the first year of implementation.

The study aims to support development of sustainable financing models and to help address some of the key barriers hampering scaling up financing and implementation of energy efficiency programs in the public sector. To this end, the study is expected to: (i) analyse key market barriers in the public sector, including public budgeting, financing and procurement rules, other legislative and regulatory barriers, institutional issues and low existing comfort levels; (ii) suggest specific options to address the identified main barriers; (iii) as an interim output, propose detailed design options for piloting scalable financing and contracting models that will be tested in the second and third year of implementation under Component 1; and (iv) recommend entity-wide options and specific design elements for sustainable financing mechanisms in the long-term as the final output of the study.

Regarding design options for pilot projects (item iii) above), particular emphasis will be given on testing models that would allow funds to revolve or to increase their leverage. Accordingly, piloting options that the study would help explore may include: "budget capture" of energy cost savings; partial or full earmarking of captured energy cost savings for further energy efficiency activities, including repayments from cantons/municipalities in the FBH; or leveraging funds by requiring co-financing from beneficiary public agencies. Piloting options could also include the use of performance-based contracts for subproject implementation, or simple public ESCO models. Based on the recommendations developed under the Issues and Options Study, as well as early implementation experience, the PIU will submit specific piloting proposals to the PSCs by the end of the first year of implementation.

ENERGY EFFICIENCY PROJECT of the Ministry of Finance and Treasury of Bosnia and Herzegovina

1. Introduction (continued)

1.2. Components and activities of the Project (continued)

These pilots will help incrementally build market capacity and gradually move towards more scalable models as implementation experience is gained and the market evolves.

The development of entity-wide scalable financing mechanisms (item iv above) will be based on the recommendations of the Issues and Options Study, and take into account outcomes from stakeholder consultations, as well as implementation experiences from pilot projects supported under Component 1. Based on the strong interest of the entity Government to establish revolving financing mechanisms, and given that there is an existing Environmental Protection Fund, which also cover energy efficiency, long-term options are likely to include specific design elements and suitable financial products/services that the Fund could offer to support operation of revolving mechanisms for energy efficiency investments (e.g., energy service agreements, loans, ESCO financing and re-financing, technical services, etc.). The ministerial-level PSC or the Federation Ministry of Physical Planning in will submit a proposal on scalable financing models to the entity Cabinets of Ministers order to ensure sustainability of energy efficiency financing beyond the project's lifetime.

Activity 2 – On-the-job trainings for municipal energy managers

Implementation of subprojects under Component 1 will be used to provide on-the-job training for municipal energy managers in order to increase their capacity in preparing, implementing and supervising energy efficiency investments in public buildings. Each municipality where selected subprojects will be implemented is expected to designate a municipal energy manager, who will participate in all supervision activities during implementation, prepare annual reports on the results of the subprojects after completion, and support data collection for the entity databases for public buildings. These provisions will be included in the MoU between the Ministry of Physical Planning, the municipality and project beneficiary, as well as the ToR for the supervision consultant. The on-the-job trainings will be accompanied by complementary capacity building activities for municipal energy managers, which may cover the following key areas:

- Sharing of energy audits for subprojects located in the energy manager's municipality of the energy manager and training on the content of energy audits, including for instance: concepts of degree-days, heat losses, energy consumption, characteristics of materials, efficiency of boilers, temperature control, variable flow pumps, balancing of network, thermostatic valves, insulation of walls and roofs, technology of efficient windows, etc.
- Presentation of technical specifications and drawings of the project design for energy efficiency retrofits in public buildings;
- Methodology for evaluating the compliance of works with technical specifications;
- Basic rules for the Operation and Maintenance of the system;
- Introduction/ explanations on energy passports for buildings;
- Introduction of databases that can be used, at municipal level, for obtaining a permanent feedback about the energy performance of municipal building, and physical warning on uncontrolled energy consumptions;
- Introduction of energy management and assessment tools, such as the TRACE (developed by ESMAP and available for free);
- Presenting the planned database for buildings at entity level and training related to the role of municipal energy managers to maintain and populate the database.

ENERGY EFFICIENCY PROJECT of the Ministry of Finance and Treasury of Bosnia and Herzegovina

1. Introduction (continued)

1.2. Components and activities of the Project (continued)

Accordingly, the training and role of the municipal energy manager will be specifically linked to the issuance of buildings passports and can help to populate the national database. Particularly, the energy manager will: (i) be trained on relevant aspects of data collection for the database (e.g. preliminary energy audits, energy passports, monitoring and evaluation, etc.) through the workshop and on-the-job-training, (ii) after completion of the subprojects, preparation of annual evaluation and reports to the PIU on effects of the EE retrofits in the selected public buildings in the territory of the relevant municipality, including: measurement and evaluation of indoor temperatures, effectiveness of energy savings, behaviour of users, improvement of comfort and working conditions, O&M issues, durability/conditions of equipment and materials; and (iii) supporting data collection for the database for public buildings. These on-the-job trainings will help to build capacity of municipal energy managers with regards to preparation, measurements, implementation and supervision of energy efficiency investments in public buildings. In addition, energy manager may expand acquired skills in other fields in the municipality, such as street lighting, water pumping and consumption, transportation, etc.

Activity 3 – On-the-job trainings for issuing energy labels for public buildings

Implementation of subprojects under Component 1 will be used to provide on-the-job training to qualified private companies (e.g., energy auditing or engineering companies) for issuance of energy certificates and labelling of buildings in accordance with the provisions of the EU Directive on Energy Performance of Buildings and related entity regulations. Selected subprojects will be used to show-case how these regulations should be implemented on the ground. As a result of this activity, energy passports and energy labels for all subprojects are expected to be issued during implementation. This will not only help to build implementation capacity of private companies and populate the databases for public buildings, but also enhance the visibility of project results.

Activity 4 – Communication and Promotion activities

Communication and promotion activities will include information, education and promotion activities to increase awareness on the benefits of energy efficiency by disseminating information on project activities, progress, results, lessons learned and impacts. Communication and awareness activities are expected to use different media channels, including print, web, conferences, TV, etc. Target groups will include clients and staff in public facilities, including NGOs, various market actors (e.g., construction companies, ESCOs, financing institutions), local, entity and state governments as well as the broader public. A consultancy company will be hired, as appropriate on a multi-year contract basis, to develop a targeted communication strategy, propose and implement agreed activities, produce information material, etc.

Activity 5 – Other technical assistance and trainings

During project implementation, additional trainings and technical assistance will be provided on as needed basis. This may include: (i) technical assistance and trainings to various private and public target groups to strengthen their capacity to prepare, appraise, implement, finance and monitor energy efficiency projects; for instance, this could comprise trainings for energy audit companies, design and construction companies, equipment suppliers, commercial banks or other energy service providers. It is also expected that the implementation of new financing and contracting models will require preparatory and complementary trainings for public and private stakeholders as well as involvement and consultations with financial institutions; (ii) technical assistance activities to support the development or implementation of relevant regulations in the buildings and construction sectors, if specific needs arise during implementation; (iii) as necessary, development of terms of reference or design specifications for agreed project activities, and (iv) other relevant support needed for scaling-up energy efficiency in public buildings.

**ENERGY EFFICIENCY PROJECT
of the Ministry of Finance and Treasury of Bosnia and Herzegovina**

1. Introduction (continued)

1.2. Components and activities of the Project (continued)

Component 3: Project Management and Operating Cost

The component will ensure effective project management by the PIUs through financing additional experts, trainings for PIU staff, and covering incremental operating costs.

1.3 Financing of the Project

1.3.1. IDA LOAN No. 5393 BA and IDA LOAN No. 5538 BA

The State of Bosnia and Herzegovina borrows from the International Development Association (IDA) under the Investment Project Financing (IDA blend-term credit) No. 5393- BA (Portion A), and 5538- BA (portion B) funding amounting to XDR 20,800,000. (5393 BA amounts XDR 18,200,000 and 5538- BA amounts XDR 2,600,000).

Under terms of Subsidiary Agreement signed between State of Bosnia and Herzegovina and Federation of Bosnia and Herzegovina ("FBiH"), XDR 12.48 million were made available and the following split was encountered: (i) Portion A of the Credit (Credit 5393-BA) XDR 10.92 million, and Portion B of the Credit (Credit 5538-BA) XDR 1.56 million.

The Project financing split and participation of the Credit in financing of each of the purpose are summarised as follows:

Item	Amount of Portion A of the Credit allocated (Credit 5393-BA) (in XDR)	Amount of the Portion B of the Credit allocated (Credit 5538-BA) (in XDR)	% of expenditure to be financed
(1) Goods, works, non-consulting services, and consultants' services, training and incremental operating costs for the Part A of the Project	10,920,000	1,560,000	100%
(2) Goods, works, non-consulting services, and consultants' services, training and incremental operating costs for the Part B of the Project	7,280,000	1,040,000	100%
Total		18,200,000	2,600,000

IDA blend-term credit No. 5393 BA and 5538 BA became effective on 27th of May 2015. Planned closing date was 30 June 2018. Closing date was prolonged until 30 June 2020.

1.3.2. Retroactive financing

Retroactive financing in an aggregate amount of up to XDR 1,950,000 incurred until the project effectiveness date. Advance Contracting and Retroactive Financing shall be carried out in accordance with the Procurement Guidelines or Consultant Guidelines, as the case may be, up to an amount of USD 1,500,000 equivalent for each entity. This provision is useful to meet any immediate financing needs.

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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 project financial statements of the Federation part of the Energy Efficiency Project (the "Project"), which comprise of Summary of sources and uses of funds, Balance sheet, Designated account statement, local bank account statement, Petty cash statement, Statements of Credit withdrawals as of and for the year ended 31 December 2019, and a summary of significant accounting policies and other explanatory notes for the year then ended, financed under IDA Credit No. 5393-BA and IDA Credit No. 5538-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 2019, 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 implementation 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., 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 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:

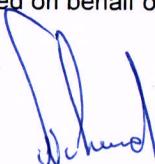
- Identify and assess the risks of material misstatement of the project financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not 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



Nihad Fejzić, Director and Certified Auditor

Sarajevo, 20 April 2020



Ema Sinanović, Certified Auditor

**ENERGY EFFICIENCY PROJECT
of the Ministry of Finance and Treasury of Bosnia and Herzegovina**

Project financial statements for the year ended 31 December 2018

(all amounts in EUR, unless otherwise stated)

3. Project financial statements for the year 2019

3.1. Summary of sources and uses of funds under the IDA Credit No. 5393 - BA, IDA Credit No. 5538 – BA, Government contribution and Other income

	Ref.	Actual 2019	Cumulative 2019	Cumulative 2018	Cumulative budget	Cumulative variance
FINANCING						
IDA Credit No. 5393 - BA	3.1.1	1,316,680	13,474,344	12,157,664	13,911,642	437,298
IDA Credit No. 5538 - BA	3.1.2	296,212	579,509	283,297	1,987,378	1,407,869
Government contribution	3.1.3	398,255	2,130,424	1,732,169	-	(2,130,424)
Other income	3.1.4	(56)	(3)	53	-	3
TOTAL FINANCING	3.2	2,011,091	16,184,274	14,173,183	15,899,020	(285,254)

PROJECT EXPENDITURE

By Category

Goods, works, consultants' services and operating costs for Part 1 of the Project	3.2	2,484,297	14,957,726	12,473,429	15,899,020	941,294
TOTAL EXPENDITURE						

PROJECT EXPENDITURE

By Component

Energy Efficiency investments	2,066,581	13,435,782	11,369,201	13,596,974	161,192	
Support for the development of scalable financing mechanisms and capacity building	227,959	780,957	552,998	1,250,392	469,435	
Project management and implementation	189,757	740,987	551,230	1,051,654	310,667	
TOTAL EXPENDITURE	3.2	2,484,297	14,957,726	12,473,429	15,800,020	941,294

**ENERGY EFFICIENCY PROJECT
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Project financial statements for the year ended 31 December 2018
(*all amounts in EUR, unless otherwise stated*)

3. Project financial statements for the year 2019 (continuing)

3.1.1 Summary of sources and uses of funds under the IDA Credit No. 5393- BA

Ref.	Actual 2019	Cumulative 2019	Cumulative 2018	Cumulative budget	Cumulative variance
FINANCING					
<i>IDA Credit No. 5393 - BA</i>				13,911,642	
Initial deposit	-	460,000	460,000	-	
Direct payments	744,638	8,502,925	7,758,287	-	
SoE replenishments	572,042	4,511,419	3,939,377	-	
TOTAL FINANCING	3.1. 1,316,680	13,474,344	12,157,664	13,911,642	437,298

PROJECT EXPENDITURE

By Category

Goods, works, consultants' services and operating costs for Part 1 of the

Project	1,608,330	13,380,001	11,771,671	13,911,642	531,641
TOTAL EXPENDITURE	3.2 1,608,330	13,380,001	11,771,671	13,911,642	531,641

**ENERGY EFFICIENCY PROJECT
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Project financial statements for the year ended 31 December 2018
(*all amounts in EUR, unless otherwise stated*)

3. Project financial statements for the year 2019 (continuing)

3.1.2 Summary of sources and uses of funds under the IDA Credit No. 5538 – BA

	Ref.	Actual 2019	Cumulative 2019	Cumulative 2018	Cumulative budget	Cumulative variance
FINANCING						
<i>IDA Credit No. 5538 - BA</i>					1,987,378	
Initial deposit		-	150,000	150,000		
Direct payments		-	-	-		
SoE replenishments		296,212	429,509	133,297		
TOTAL FINANCING	3.1.	296,212	579,509	283,297	1,987,378	1,407,869

PROJECT EXPENDITURE

By Category

Goods, works, consultants' services and operating costs for Part 1 of the

Project		353,077	559,825	206,748	1,987,378	1,427,553
TOTAL EXPENDITURE	3.2	353,077	559,825	206,748	1,987,378	1,427,553

**ENERGY EFFICIENCY PROJECT
of the Ministry of Finance and Treasury of Bosnia and Herzegovina**

Project financial statements for the year ended 31 December 2018

(all amounts in EUR, unless otherwise stated)

3. Project financial statements for the year 2018 (continued)

3.1.3 Summary of sources and uses of funds under Government contribution

Ref.	Actual 2019	Cumulative 2019	Cumulative 2018	Cumulative budget	Cumulative variance
FINANCING					
VAT Reimbursement	398,255	1,783,979	1,385,724		- (1,783,979)
Other income (Canton Sarajevo contribution)	-	82,308	82,308		- (82,308)
Other income (Canton Hercegovačko-neretvanski contribution)	-	264,137	264,137		- (264,137)
TOTAL EXPENDITURE	3.1. 398,255	2,130,424	1,732,169		- (2,130,424)

PROJECT EXPENDITURE

By Category

Goods, works, consultants' services, training and operating costs for Part 1 of the Project

TOTAL EXPENDITURE	3.2	522,890	1,017,900	495,010	- (1,017,900)
					- (1,017,900)

**ENERGY EFFICIENCY PROJECT
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Project financial statements for the year ended 31 December 2018

(all amounts in EUR, unless otherwise stated)

3. Project financial statements for the year 2018 (continuing)

3.1.3.1. Summary of sources and uses of funds under Government contribution (VAT reimbursement)

	Ref.	Actual 2019	Cumulative 2019	Cumulative 2018	Cumulative budget	Cumulative variance
FINANCING						
VAT Reimbursement		398,255	1,783,979	1,385,724	-	(1,783,979)
TOTAL EXPENDITURE	3.1.	398,255	1,783,979	1,385,724	-	(1,783,979)

PROJECT EXPENDITURE

By Category

Goods, works, consultants' services, training and operating costs for Part 1 of the Project

	3.2	456,422	671,455	215,033	-	(671,455)
TOTAL EXPENDITURE	3.2	456,422	671,455	215,033	-	(671,455)

**ENERGY EFFICIENCY PROJECT
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Project financial statements for the year ended 31 December 2018

(all amounts in EUR, unless otherwise stated)

3. Project financial statements for the year 2018 (continuing)

3.1.3.2. Summary of sources and uses of funds under Government contribution (Canton Sarajevo contribution)

	Ref.	Actual 2019	Cumulative 2019	Cumulative 2018	Cumulative budget	Cumulative variance
FINANCING						
Canton Sarajevo cofinancing		-	82,308	82,308	-	(82,308)
TOTAL EXPENDITURE	3.1.	-	82,308	82,308	-	(82,308)

PROJECT EXPENDITURE

By Category

Goods, works, consultants'
services, training and
operating costs for Part 1 of

the Project	3.2	66,468	82,308	15,840	-	(82,308)
TOTAL EXPENDITURE	3.2	66,468	82,308	15,840	-	(82,308)

**ENERGY EFFICIENCY PROJECT
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Project financial statements for the year ended 31 December 2018

(all amounts in EUR, unless otherwise stated)

3. Project financial statements for the year 2018 (continuing)

3.1.3.3. Summary of sources and uses of funds under Government contribution (HNK Canton contribution)

	Ref.	Actual 2019	Cumulative 2019	Cumulative 2018	Cumulative budget	Cumulative variance
FINANCING						
HNK Canton cofinancing		-	264,137	264,137	-	(264,137)
TOTAL EXPENDITURE	3.1.	-	264,137	264,137	-	(264,137)

PROJECT EXPENDITURE

By Category

Goods, works, consultants' services, training and operating costs for Part 1 of the Project

	3.2	-	264,137	264,137	-	(264,137)
TOTAL EXPENDITURE						
		-	264,137	264,137	-	(264,137)

**ENERGY EFFICIENCY PROJECT
of the Ministry of Finance and Treasury of Bosnia and Herzegovina**

Project financial statements for the year ended 31 December 2018

(all amounts in EUR, unless otherwise stated)

3. Project financial statements for the year 2018 (continuing)

3.1.4 Summary of sources and uses of funds under Other income

	Ref.	Actual 2019	Cumulative 2019	Cumulative 2018	Cumulative budget	Cumulative variance
FINANCING						
Other income		(56)	(3)	53	-	3
TOTAL FINANCING	3.1.1.	(56)	(3)	53	-	3

PROJECT EXPENDITURE

By Category

Goods, works, consultants' services and operating costs for Part 1 of the Project

TOTAL EXPENDITURE	3.2	-	-	-	-	-
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**ENERGY EFFICIENCY PROJECT
of the Ministry of Finance and Treasury of Bosnia and Herzegovina**

Project financial statements for the year ended 31 December 2018

(all amounts in EUR, unless otherwise stated)

4. Project financial statements for the year 2019 (continued)

4.1. Balance sheet as of 31 December 2019 showing accumulated funds of the Project and bank balances concerning World Bank Funding

	Ref.	31 December 2019	31 December 2018
ASSETS			
Project expenditure under IDA Credit No. 5393 BA	3.1.1	13,380,001	11,771,671
Project expenditure under IDA Credit No. 5538 BA	3.1.2	559,825	206,748
Project expenditure under Government contribution	3.1.3	1,017,900	495,010
		14,957,726	12,473,429
Designated account - IDA Credit No. 5393 BA and IDA Credit No. 5538 BA	A.1	113,162	462,162
Local bank account- Government	A.3	1,112,524	1,237,159
Petty cash-IDA	A.4	862	433
		1,226,548	1,699,754
Total assets		16,184,274	14,173,183
LIABILITIES			
IDA Credit No. 5393 BA	C.1	13,474,344	12,157,664
IDA Credit No. 5538 BA	C.2	579,509	283,297
Government contribution	3.1.2	2,130,424	1,732,169
Other income	3.1.3	(3)	53
		16,184,274	14,173,183



Signed and authorised by:

Josip Matić
Minister

Donika Belma

Belma Đonko
Financial Manager

Sarajevo, 20 April 2020

**ENERGY EFFICIENCY PROJECT
of the Ministry of Finance and Treasury of Bosnia and Herzegovina**

Project financial statements for the year ended 31 December 2019

(all amounts in EUR, unless otherwise stated)

4. Notes to the project financial statements

4.1 Basis of preparation and accounting records

These 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 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 IDA Credit is 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 IDA Credit accounts 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 department who authorises the payment of the expenditure through the Designated accounts.

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 that due to the Currency Board arrangement has not been changed throughout the year.

Designated accounts

This is the total amount of cash withdrawals from the IDA Credit accounts for the Project. IDA Credit account is in XDR.

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4. Notes to the project financial statements (continued)

4.2 Accounting policies (continued)

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.

Other income

Other income includes interest earned on cash funds at the bank accounts.

Interest on Designated accounts

Interest earned on the Designated accounts belongs to the Borrower.

Interest on local bank accounts

Interest earned on the local bank accounts used for the payments from IDA Credit funds 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.: BA391994990031508235
Depository Bank: Sparkasse bank dd BiH
Address: Zmaja od Bosne 7, 71000 Sarajevo
Related Credit: IDA Credit No. 5393 BA & IDA Credit No. 5538 BA
Currency: EUR

	Ref.	EUR
Opening balance 1 January 2019	3.2	462,113
Add:		
World Bank replenishments	B	868,254
Interest		(56)
		<u>868,198</u>
Deduct:		
Transfer to designated sub-account	A.2	1,181,795
Payments to suppliers - Expenditure under IDA Credit		35,380
		<u>1,217,175</u>
Ending balance 31 December 2019	3.2	113,136

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APPENDIX A.2

DESIGNATED SUB-ACCOUNT STATEMENT

Account owned by: Ministry of Finance and Treasury of Bosnia and Herzegovina
Account No.: 1994990031508235
Depository Bank: Sparkasse bank dd BiH
Address: Zmaja od Bosne 7, 71000 Sarajevo
Related Credit: IDA Credit No. 5393 BA & IDA Credit No. 5538 BA
Currency: BAM

	Ref.	BAM	EUR
Opening balance 1 January 2019	3.2	96	49
Add:			
Transfers from DA - IDA Credit 5393 - BA	A.1.	2,311,390	1,181,795
		2,311,390	1,181,795
Deduct:			
Payments to suppliers - Expenditure under IDA Credit		2,310,435	1,181,307
Transfer to petty cash		1,000	511
		2,311,435	1,181,818
Ending balance 31 December 2019	3.2	51	26

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APPENDIX A.3 LOCAL BANK ACCOUNT STATEMENT

Account owned by: Ministry of Physical Planning
Account No.: 1027080000010242
Depository Bank: Union banka dd Sarajevo
Address: Dubrovačka br.6, Sarajevo
Related Credit: Other sources of financing (income)
Currency: BAM

	Ref.	BAM	EUR
Opening balance 1 January 2019	3.2	2,419,672	1,237,159
Add:			
Reimbursement of VAT	A.1	778,920	398,255
		778,920	398,255
Deduct:			
Payments – expenditure under the Government contribution		892,685	456,422
Payments – expenditure under Canton Sarajevo contribution		130,000	66,468
		1,022,685	522,890
Ending balance 31 December 2018	3.2	2,175,907	1,112,524

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APPENDIX A.4 PETTY CASH STATEMENT

Address: PIU, Sarajevo

Related Credit: Credit No. 5393 BA

Currency: BAM

	Ref.	BAM	EUR
Opening balance 1 January 2019	3.2	846	433
Add:			
Transfers from Designated sub-account – IDA 5393 – BA and IDA 5538 – BA	A.2	1,000 1,000	511 511
Deduct:			
Payments - Expenditure under IDA 5393 – BA and 5538 – BA	A.1	160 160	82 82
Ending balance 31 December 2019	3.2	1,686	862

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**APPENDIX B.1 SoE Withdrawal Schedule of IDA Credit No. 5393 BA for the year ended
31 December 2019**

	Initial deposit	Goods, works, consultants' services, and operating costs for Part 1 of the Project	Total application	Total replenished
Previous period	460,000	11,836,059	11,836,059	12,157,664
Application 91	-	-	-	64,388
Application 93	-	136,686	136,686	136,686
Application 94	-	61,780	61,780	61,780
Application 95	-	63,032	63,032	63,032
Application 96	-	13,229	13,229	13,229
Application 98	-	208,383	208,383	208,383
Application 99	-	141,802	141,802	141,802
Application 100	-	55,338	55,338	55,338
Total direct payments in 2019	-	680,250	680,250	744,638
Application 92**	-	-	-	57,981
Application 97**	-	-	-	56,024
Application 101	-	115,618	115,618	115,618
Application 102	-	156,230	156,230	156,230
Application 103	-	262,719	262,719	186,189
Application 104	-	109,403	109,403	-
Application 105	-	140,873	140,873	-
Application 106	-	32,642	32,642	-
Application 107	-	46,207	46,207	-
Total SoE applications in 2019	-	863,692	863,692	572,042
Total 2019	-	1,543,942	1,543,942	1,316,680
Cumulative as of 31 December 2018	460,000	13,380,001	13,380,001	13,474,344

* Application No. 91 was sent to the CC in 2018 but was processed in 2019

** Applications No. 92 and 97 was replenished in 2019, but expenses were made in 2018

*** Applications No. 104, 105, 106, 107 were replenished in 2020, but expenses were made in 2019

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**APPENDIX B.2 SoE Withdrawal Schedule of IDA Credit No. 5538 BA for the year ended
31 December 2019**

	Initial deposit	Goods, works, consultants' services, and operating costs for Part 1 of the Project	Total application	Total replenished
Previous period	150,000	206,748	206,748	283,297
Application 3*	-	-	-	73,451
Application 4	-	69,396	69,396	69,396
Application 5	-	70,257	70,257	70,257
Application 6	-	83,108	83,108	83,108
Application 7	-	130,316	130,316	-
Total SoE applications in 2019	-	353,077	353,077	296,212
Total 2019	-	353,077	353,077	296,212
Cumulative as of 31 December 2019	150,000	559,825	559,825	579,509

* Application No.3 was replenished in 2019, but expenses were made in 2018

*** Applications No. 7 was replenished in 2020, but expenses were made in 2019

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APPENDIX C.1 Reconciliation between World Bank's Disbursement Statements in XDR and IDA Credit account in EUR according to the balance sheet as of 31 December 2019; SoE Withdrawal Schedule of IDA Credit No. 5393 BA

	Changes in IDA Credit (in XDR)	Exchange rate used	Changes in IDA Credit (in EUR)
Original amount	10,920,000	1.273960	13,911,642
Disbursed in previous years	9,851,157		12,157,664
Application 91	52,711	1.221516	64,388
Application 92	47,101	1.230981	57,981
Application 93	111,123	1.230046	136,686
Application 94	50,188	1.230981	61,780
Application 95	51,205	1.230981	63,032
Application 96	10,747	1.230981	13,229
Application 97	45,512	1.230981	56,024
Application 98	169,282	1.230981	208,383
Application 99	115,194	1.230981	141,802
Application 100	44,954	1.230981	55,338
Application 101	93,284	1.239422	115,618
Application 102	126,402	1.235977	156,230
Application 103	151,140	1.231895	186,189
Total disbursed in 2019	1,068,843		1,316,680
Cumulative disbursements as of 31 December 2019	10,920,000		13,474,344
Cumulative undisbursed balance as of 31 December 2019		-	437,298
Undisbursed balance as per World Bank Summary for December 2019		-	1.235880
Exchange rate loss			437,298

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APPENDIX C.2 Reconciliation between World Bank's Disbursement Statements in XDR and IDA Credit account in EUR according to the balance sheet as of 31 December 2019; SoE Withdrawal Schedule of IDA Credit No. 5538 BA

	Changes in IDA Credit (in XDR)	Exchange rate used	Changes in IDA Credit (in EUR)
Original amount	1,560,000	1.273960	1,987,378
Disbursed in previous years	234,193		283,297
Application 3	59,669	1.230981	73,451
Application 4	55,991	1.239422	69,396
Application 5	56,762	1.237739	70,257
Application 6	67,187	1.236966	83,108
Total disbursed in 2019	239,609		296,212
Cumulative disbursements as of 31 December 2019	473,802		579,509
Calculated undisbursed balance as of 31 December 2019	1,086,198		1,407,869
Undisbursed balance as per World Bank Summary for December 2019	1,086,198	1.235880	1,342,410
Potential exchange rate loss			65,459