

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

**RURAL BUSINESS DEVELOPMENT
PROJECT**

of the Ministry of Finance and Treasury

Financed by:

- IFAD Loan Agreement No. 859 – BA
- IFAD Grant Agreement No. I-C-1337 - BA

For the year ended 31 December 2019

RURAL BUSINESS DEVELOPMENT PROJECT
of the Ministry of Finance and Treasury of Bosnia and Herzegovina

CONTENTS

1	Introduction	1
2	Independent Auditor's Report	5
3	Project financial statements for the year 2019	7
4	Notes to the project financial statements	14

APPENDICES

A.1	Designated account statement - IFAD Loan No. 859-BA	16
A.2	Local bank account statement - Government contribution	17
A.3	Designated account statement – IFAD Grant No. I-C-1337-BA	18
A.4	Local bank account statement - Government contribution IFAD 562	19
A.5	Local bank account statement - Beneficiaries contribution	20
B.1	SoE Withdrawal Schedule of IFAD Loan No. 859-BA for the year ended 31 December 2019	21
B.2	SoE Withdrawal Schedule of IFAD Grant I-C-1337-BA for the year ended 31 December 2019	22
C.1	Reconciliation between IFAD's Historic Transaction Report in XDR and IFAD Loan account in EUR according to the to the balance sheet as of 31 December 2019; SoE Withdrawal Schedule of IFAD Loan No. 859-BA	23
C.2	Reconciliation between IFAD's Historic Transaction Report in XDR and IFAD Grant account in EUR according to the to the balance sheet as of 31 December 2019; SoE Withdrawal Schedule of IFAD Grant No. I-C-1337-BA	24

RURAL BUSINESS DEVELOPMENT PROJECT

of the Ministry of Finance and Treasury of Bosnia and Herzegovina

1. Introduction

1.1 Objectives of the Project

The State of Bosnia and Herzegovina (the "State"), through its Ministry of Finance and Treasury, obtained Loan No. 859 BA from the International Fund for Agriculture Development (IFAD).

The Federation of Bosnia and Herzegovina ("FB&H") and Republika Srpska ("RS") have agreed to carry out the Rural Business Development Project (the "Project") and agreed subsidiary agreements with the State.

The Project Goal is defined as: rural poverty reduction by raising the target group incomes and strengthening their resilience by building profitable farm and non-farm enterprises in Bosnia and Herzegovina. The purpose of the Project shall be to help subsistence farmers transform to commercial farming and help in developing the non-farm enterprise sector for rural employment generation. The expected outcomes of the project include: (i) increased productivity and enterprise through strengthened business and advisory services; (ii) increased access to sustainable financial services and (iii) improved access to markets and business opportunities. At least 75% of the targeted households are expected to report 30% increase in average household agricultural income and 50% increase in non-farm incomes. The share of women and unemployed youth in wage employment is expected to increase by 5%.

1.2 Components and activities of the Project

The project consists of the following components:

1. Rural Business Support
2. Rural Business Investments
3. Rural Market Infrastructure
4. Project Management

PART B: Project Activities in RS

Component a: Rural Business Support

The Rural Business Support Component shall consist of three sub-components: (i) Farm Enterprise Development, (ii) Business Development Services and (iii) Non-Farm Enterprise Development.

(i) Farm Enterprise Development - The Project shall provide training to 6000 smallholder farmers for enhancing agriculture productivity. The aim will be to increase yields, product quality and value of existing farm enterprises through provision of advice and training; promotion of high value crops, demonstration of improved and appropriate technologies and practices for the horticulture and livestock sectors; improved agriculture inputs, improvement in herds and livestock production and management practices, enhancing food safety standards, strengthening of Good Agriculture and environmentally sound practices. All activities will be market-driven and designed to assist beneficiary farmers to improve the productivity, marketability and profitability of their produce.

(ii) Business Development Services – In order to link small farmers to the market, the Project shall strengthen around 60 Producer Associations and Agriculture Cooperatives with a membership of approximately 4,200. It shall provide training, on-the-job mentoring and facilitate expansion of market linkages.

RURAL BUSINESS DEVELOPMENT PROJECT

of the Ministry of Finance and Treasury of Bosnia and Herzegovina

1. Introduction (continued)

1.2 Components and activities of the Project (continued)

The Project shall assist Agriculture Cooperatives, Producer Association and other market intermediaries providing small farmers with opportunities to participate more actively in value chains and adoption of standards such as Hazard Analysis and Critical Control Points (HACCP), European Good Agriculture Practices (EuroGAP) and ISO 22,000 standard developed by the International Organization for Standardization dealing with food safety standards. Through training, technical assistance, marketing and assistance to obtain certification, rural entrepreneurs, both farm and non-farm, shall be assisted to develop and expand their enterprises which create opportunities to enhance incomes and rural employment and add value to the rural economy.

(iii) *Non-Farm Enterprise Development* – The Project shall focus on creating jobs for women and unemployed youth given the lack of opportunities in rural areas and the high unemployment rate for these two groups. The project will provide support which will include identification of business and employment opportunities, preparation of technical and business feasibilities, access to financing through its rural finance component. For a few selected enterprises with the potential for employment generation, a small one-time initial capital assistance with some contribution from the Project will also be considered.

Component b: Rural Business Investment Component

The Rural Business Investment shall provide access to financial services and operate with two main client groups, (i) smallholder producers and rural entrepreneurs, who shall be provided loans for up to five years and (ii) rural enterprises connected to one of the main project supported value chains who shall be provided loans. Innovative arrangements for financing private sector firms with contractual arrangements with Producer Associations and Agriculture Cooperatives shall be encouraged as these have proved to be very effective in providing timely finance to small farmers, address the working capital requirements of processors and wholesalers, ensure timely payments to farmers for their produce and provide a secure source of repayment through deduction of installments at source thereby reducing the transaction cost of financial institutions.

Component c: Rural Market Infrastructure

The Rural Infrastructure component shall enhance access to markets through a broad range of schemes which shall be undertaken in close partnership with municipal governments. All selected schemes will have to demonstrate the potential of the scheme to enhance economic opportunities and improved livelihoods. The main types of infrastructure that shall be eligible under the Rural Market Infrastructure component shall include infrastructure such as village and feeder roads including bridges, pasture livestock water points, small-scale irrigation systems, domestic water supply and sewerage systems.

Component d: Project Management

The Project Management Component shall finance all the incremental costs of project management and coordination by the Agriculture Projects Coordination Unit (APCU).

RURAL BUSINESS DEVELOPMENT PROJECT
of the Ministry of Finance and Treasury of Bosnia and Herzegovina

1. Introduction (continued)

1.3. Financing of the Project

The Project is financed by:

- a) IFAD Loan No. 859 - BA,
- b) IFAD Grant No. I-C-1337 - BA
- c) Government, and
- d) Beneficiaries.

1.3.1. IFAD Loan Agreement No. 859 - BA

The State is the borrower of the International Fund for Agricultural Development (IFAD) Loan No. 859-BA, amounting to XDR 8,050,000.

In accordance to terms of subsidiary finance agreement between the State and RS, funds of the equivalent of XDR 3,245,000 have been lent to RS.

1.3.2. IFAD Grant Agreement No. I-C-1337 - BA

IFAD Grant No. I-C-1337-BA allocations for B&H are XDR 500,000.

In accordance to terms of subsidiary finance agreement between the State and RS, funds of the equivalent of XDR 199,000 have been granted to RS.

RURAL BUSINESS DEVELOPMENT PROJECT
of the Ministry of Finance and Treasury of Bosnia and Herzegovina

1. Introduction (continued)

1.3 Financing of the Project (continued)

1.3.1. IFAD Loan Agreement No. 859 - BA and IFAD Grant Agreement No. I-C-1337 - BA (continued)

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	Amount of the Loan allocated (in XDR)	Amount of the Grant allocated (in XDR)	% of expenditure to be financed
I Enterprise Support Fund	50,000	13,000	100% net of taxes and beneficiary contribution
II Revolving Investment Fund	1,626,000		100% net of PFI contributions
III Civil Works	190,000		100% net of taxes
IV National Technical Assistance, Training, Workshops and Studies	560,000	160,000	100% net of co-financing and Municipalities/beneficiaries contributions
V Vehicle and Equipment	50,000	26,000	100% net of co-financing
VI Incremental operating costs	615,000		100% net of taxes
Unallocated	154,000		
Total	3,245,000	199,000	

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

2. 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 Republika Srpska part of the Rural Business Development Project (the "Project"), which comprise of Summary of sources and uses of funds, Balance sheet, Designated account, Local bank account, Statement of loan and grant 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 IFAD Loan Agreement No. 859-BA, IFAD Grant Agreement No. I-C-1337-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 the International Fund for Agricultural Development Guidelines for Project Audits ("IFAD Guidelines"). 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.

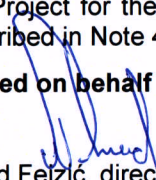
We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on other requirements

In addition, with respect to the SoE withdrawal schedule, adequate supporting documentation has been maintained to support claims for reimbursements of expenditures occurred and such expenditure were eligible under IFAD Loan Agreement No. 859-BA, IFAD Grant Agreement No. I-C-1337-BA.

In addition, in our opinion, the accompanying designated account statements present fairly, in all material aspects, the funds received and disbursements made from the designated accounts of the Project for the year ended 31 December 2019, in accordance with the basis of accounting described in Note 4.1.


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


Nihad Fejzić, director and licensed auditor

Sarajevo, Bosnia and Herzegovina

5 May 2020




Ezita Imamović, licensed auditor

RURAL BUSINESS DEVELOPMENT 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)

3. Project financial statements for the year 2019

3.1 Summary of Sources and Uses of Funds under the IFAD Loan No. 859-BA, IFAD Grant No. I-C-1337-BA, Government contribution, Beneficiaries contribution and Government contribution IFAD 562

	Ref.	Actual 2019	Cumulative 2019	Cumulative 2018	Cumulative budget	Cumulative variance
FINANCING						
IFAD Loan No. 859-BA	3.1.1	996,482	3,112,216	2,115,734	4,088,245	976,029
Government contribution	3.1.2	845,241	1,458,094	612,853	4,389,185	2,931,091
IFAD Grant No. I-C-1337-BA	3.1.3	102,396	252,396	150,000	250,712	(1,684)
Beneficiaries contribution	3.1.4	900,802	2,195,604	1,294,802	2,195,604	-
Government contribution						
IFAD 562	3.1.5	1,461,860	2,799,291	1,337,431	3,465,959	666,668
TOTAL FINANCING	3.2	4,306,781	9,817,601	5,510,820	14,389,326	4,572,104
PROJECT EXPENDITURE						
<i>By Category</i>						
Enterprise Support Fund		1,398,091	1,486,177	88,086	1,751,732	265,555
Revolving Investment Fund		-	-	-	-	-
Civil Works		2,957,527	5,910,645	2,953,118	11,008,637	5,097,992
National Technical Assistance, Training, Workshops and Studies		54,588	230,711	176,123	388,750	158,039
Vehicle and Equipment		41,483	93,841	52,358	93,600	(241)
Incremental operating costs		90,574	476,999	386,425	1,146,607	669,608
Unallocated		-	-	-	-	-
TOTAL EXPENDITURE	3.2	4,542,263	8,198,373	3,656,110	14,389,326	6,190,953
PROJECT EXPENDITURE						
<i>By Component</i>						
Rural Business Support		1,464,220	1,737,138	272,918	2,074,943	337,805
Rural Business Investment		-	-	-	-	-
Rural Market Infrastructure		2,957,527	5,910,645	2,953,118	11,008,637	5,097,992
Project management and coordination unit		120,516	550,590	430,074	1,305,746	755,156
TOTAL EXPENDITURE	3.2	4,542,263	8,198,373	3,656,110	14,389,326	6,190,953

RURAL BUSINESS DEVELOPMENT 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)

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

3.1.1 Summary of Sources and Uses of Funds under the IFAD Loan agreement No.859-BA

	Ref.	Actual 2019	Cumulative 2019	Cumulative 2018	Cumulative budget	Cumulative variance
FINANCING						
IFAD Loan No.859-BA					4,088,245	
Initial deposit		-	1,000,000	1,000,000		
Direct payments		-	-	-		
SoE replenishments		996,482	2,112,216	1,115,734		
TOTAL FINANCING	3.2	996,482	3,112,216	2,115,734	4,088,245	976,029
PROJECT EXPENDITURE						
<i>By Category</i>						
Enterprise Support Fund		597,405	644,194	46,789	912,656	268,462
Revolving Investment Fund		-	-	-	-	-
Civil Works		725,143	1,761,140	1,035,997	2,001,305	240,165
National Technical Assistance, Training, Workshops and Studies		39,795	194,263	154,468	365,062	170,799
Vehicle and Equipment		9,949	60,374	50,425	60,844	470
Incremental operating costs		87,280	452,245	364,965	748,378	296,133
TOTAL EXPENDITURE	3.2	1,459,572	3,112,216	1,652,644	4,088,245	976,029

RURAL BUSINESS DEVELOPMENT 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)

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

3.1.2 Summary of sources and uses of fund under Government contribution

	Ref.	Actual 2019	Cumulative 2019	Cumulative 2018	Cumulative budget	Cumulative variance
FINANCING						
Government contribution		845,241	1,458,094	612,853	4,389,185	2,931,091
TOTAL FINANCING	3.2	845,241	1,458,094	612,853	4,389,185	2,931,091
PROJECT EXPENDITURE						
By Category						
Civil works		-	-	-	3,990,991	3,990,991
Incremental operating costs		3,100	24,560	21,460	398,194	373,634
National Technical Assistance, Training, Workshops and Studies		3,325	12,761	9,436	-	(12,761)
Vehicle and Equipment		-	1,933	1,933	-	(1,933)
TOTAL EXPENDITURE	3.2	6,425	39,254	32,829	4,389,185	4,349,931

RURAL BUSINESS DEVELOPMENT 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)

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

3.1.3 Summary of sources and uses of fund under IFAD Grant agreement No. I-C-1337-BA

	Ref.	Actual 2019	Cumulative 2019	Cumulative 2018	Cumulative budget	Cumulative variance
FINANCING						
IFAD Grant No. I-C-1337-BA					250,712	
Initial deposit		-	150,000	150,000		
Direct payment		-	-	-		
SOE replenishments		102,396	102,396	-		
TOTAL FINANCING	3.2	102,396	252,396	150,000	250,712	(1,684)
PROJECT EXPENDITURE						
By Category						
Enterprise support fund		182,286	197,175	14,889	194,268	(2,907)
National Technical assistance, Training, Workshops and Studies		11,468	23,687	12,219	23,688	1
Equipment and Vehicle		31,534	31,534	-	32,756	1,222
TOTAL EXPENDITURE	3.2	225,288	252,396	27,108	250,712	(1,684)

RURAL BUSINESS DEVELOPMENT 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)

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

3.1.4 Summary of sources and uses of fund under Beneficiaries contribution

	Ref.	Actual 2019	Actual 2019	Cumulative 2018	Cumulative budget	Cumulative variance
FINANCING						
Beneficiaries contribution		900,802	2,195,604	1,294,802	2,195,604	-
TOTAL FINANCING	3.2	900,802	2,195,604	1,294,802	2,195,604	-
PROJECT EXPENDITURE						
<i>By Category</i>						
Enterprise Support Fund		618,400	644,808	26,408	644,808	-
Civil works		588,864	1,550,382	961,518	1550,382	-
Equipment and vehicles		-	-	-	-	-
Incremental operating costs		35	35	-	35	-
TOTAL EXPENDITURE	3.2	1,207,299	2,195,225	987,926	2,195,225	-

RURAL BUSINESS DEVELOPMENT 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)

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

3.1.5 Summary of sources and uses of funds under Government Contribution (IFAD 562)

	Ref.	Actual 2019	Cumulative 2019	Cumulative 2018	Cumulative budget	Cumulative variance
FINANCING						
Government contribution		1,461,860	2,799,291	1,337,431	3,465,959	666,668
TOTAL FINANCING	3.2	1,461,860	2,799,291	1,337,431	3,465,959	666,668
PROJECT EXPENDITURE						
By Category						
Civil Works		1,643,520	2,599,123	955,603	3,465,959	866,836
Incremental operating costs		159	159	-	-	(159)
TOTAL EXPENDITURE	3.2	1,643,679	2,599,282	955,603	3,465,959	866,677

RURAL BUSINESS DEVELOPMENT 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)

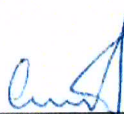
3. Project financial statements for the year 2019 (continued)

3.2 Balance sheet as of 31 December 2019 showing accumulated funds of the Project and bank balances concerning IFAD Funding

	Ref.	31 December 2019	31 December 2018
ASSETS			
Project expenditure IFAD Loan No. 859-BA	3.1.1	3,112,216	1,652,644
Project expenditure under Government contribution	3.1.2	39,254	32,829
Project expenditure IFAD Grant No. I-C-1337-BA	3.1.3	252,396	27,108
Project expenditure under Beneficiary contribution	3.1.4	2,195,225	987,926
Project expenditure under Government contribution IFAD 562	3.1.5	2,599,282	955,603
		8,198,373	3,656,110
Designated account - IFAD Loan No. 859-BA	A.1	-	462,984
Local bank account - Government contribution	A.2	132,580	137,054
Local bank account - IFAD Grant No. I-C-1337-BA	A.3	-	122,892
Local bank account - Government contribution IFAD 562	A.4	199,520	381,515
Local bank account - Beneficiary contribution	A.5	151	306,825
		332,251	1,411,270
VAT receivables		1,286,977	443,440
Total assets		9,817,601	5,510,820
LIABILITIES			
IFAD Loan No. 859-BA	C	3,112,216	2,115,734
Government contribution	3.1.2	1,458,094	612,853
IFAD Grant No. I-C-1337-BA	3.1.3	252,396	150,000
Beneficiary contribution	3.1.4	2,195,604	1,294,802
Government contribution IFAD 562	3.1.5	2,799,291	1,337,431
Total liabilities		9,817,601	5,510,820

Signed and authorised by:


 Mr Stefan Mitrović
 APCU Director


 Dragana Stojičić
 Financial Manager

Banja Luka, 5 May 2020

RURAL BUSINESS DEVELOPMENT 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.

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 IFAD 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 IFAD Loan account.

Statement of Expenditure (SoE)

Statements of Expenditure are used to state the expenditure under IFAD Loan during a certain period. These statements are sent to the IFAD 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 IFAD Loan account for the Project. IFAD Loan account is in XDR.

Local bank accounts

This concerns bank accounts at local banks (other than Designated account) in EUR and BAM translated at the exchange rate at the date of the balance sheet.

RURAL BUSINESS DEVELOPMENT 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 (continued)

4.2 Accounting policies (continued)

Other income

Other income includes interest earned on cash funds at the bank accounts, income from tender documentation sold and received bidding fees.

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 account used for the payments from IFAD Loan funds belongs to the Borrower; interest earned on the local bank accounts used for the payments from Government and Beneficiaries contribution is treated as additional source of financing of the Project.

RURAL BUSINESS DEVELOPMENT 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)

APPENDIX A.1

DESIGNATED ACCOUNT STATEMENT

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

Account No.: 5672410000627938

Depository Bank: Sberbank a.d. Banjaluka

Address: Jevrejska 71, Banjaluka

Related Credit: IFAD Loan No. 859-BA

Currency: EUR

	Ref.	EUR
Opening balance 1 January 2019	3.2	462,984
Add:		
IFAD replenishments	B	996,482
		1,459,466
Deduct:		
Payments to suppliers - Expenditure under IFAD Loan		1,459,466
		1,459,466
Ending balance 31 December 2019	3.2	-

RURAL BUSINESS DEVELOPMENT 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)

APPENDIX A.2

LOCAL BANK ACCOUNT STATEMENT

Account owned by: Ministry of Agriculture, Forestry and Water Management of RS

Account No.: 5672418200001854

Depository Bank: Sberbank a.d. Banjaluka

Address: Jevrejska 71, Banjaluka

Related Credit: Government contribution

Currency: BAM

	Ref.	BAM	EUR
Opening balance 1 January 2019	3.2	268,053	137,054
Add:			
Government Contribution		1,653,148	845,241
		1,653,148	845,241
Deduct:			
Payments to suppliers - Expenditure under Government		1,661,898	849,715
		1,661,898	849,715
Ending balance 31 December 2019	3.2	259,303	132,580

RURAL BUSINESS DEVELOPMENT 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)

APPENDIX A.3

DESIGNATED ACCOUNT STATEMENT

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

Account No.: 5672410000628132

Depository Bank: Sberbank a.d. Banjaluka

Address: Jevrejska 71, Banjaluka

Related Credit: IFAD Grant No. I-C-1337-BA

Currency: EUR

	Ref.	EUR
Opening balance 1 January 2019	3.2	122,892
Add:		
IFAD Grant replenishments		102,396
		225,288
Deduct:		
Payments to suppliers - Expenditure under IFAD Grant		225,288
		225,288
Ending balance 31 December 2019	3.2	-

RURAL BUSINESS DEVELOPMENT 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)

APPENDIX A.4

LOCAL BANK ACCOUNT STATEMENT

Account owned by: Ministry of Agriculture, Forestry and Water Management of RS

Account No.: 56724182000023-39

Depository Bank: Sberbank a.d. Banjaluka

Address: Jevrejska 71, Banjaluka

Related Credit: Government contribution (IFAD 562)

Currency: BAM

	Ref.	BAM	EUR
Opening balance 1 January 2019	3.2	746,178	381,515
Add:			
Contribution		2,859,150	1,461,860
		3,605,328	1,843,375
Deduct:			
Payments to suppliers - Expenditure under Government		3,215,102	1,643,855
Ending balance 31 December 2019	3.2	390,226	199,520

RURAL BUSINESS DEVELOPMENT 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)

APPENDIX A.5

LOCAL BANK ACCOUNT STATEMENT

Account owned by: Ministry of Agriculture, Forestry and Water Management of RS

Account No.: 56724182000022-42

Depository Bank: Sberbank a.d. Banjaluka

Address: Jevrejska 71, Banjaluka

Related Credit: Beneficiary contribution

Currency: BAM

	Ref.	EUR	BAM
Opening balance 1 January 2019	3.2	306,825	600,096
Add:			
Municipality Contribution		900,802	1,761,817
		1,207,627	2,361,913
Deduct:			
Payments to suppliers - Expenditure under Beneficiaries		1,207,476	2,361,618
Ending balance 31 December 2019	3.2	151	295

RURAL BUSINESS DEVELOPMENT 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)

APPENDIX B.1 **SoE Withdrawal Schedule of IFAD Loan No. 859-BA for the year ended 31 December 2019**

	Initial deposit	Enterprise Support Fund	Revolving Investment Fund	Civil works	National Technical assistance, training, workshops and studies	Vehicle and equipment	Incremental operating costs	Total application	Total disbursed
Previous years	1,000,000	46,789	-	1,035,997	154,468	50,425	364,965	1,652,644	2,115,734
Total direct payments									
Application 6	-	-	-	-	-	-	-	-	-
Application 7	-	-	-	58,599	4,709	-	9,914	73,222	610,132
Application 8	-	-	-	252,160	11,955	9,949	22,909	296,973	296,973
Application 9	-	557,878	-	325,820	10,774	-	38,151	932,623	932,623
Refund to IFAD	(156,754)	39,527	-	88,564	12,357	-	16,306	156,754	-
Total SOE	(843,246)	-	-	-	-	-	-	-	(843,246)
Total SOE application 2019	(1,000,000)	597,405	-	725,143	39,795	9,949	87,280	1,459,572	996,482
Cumulative 2019	-	644,194	-	1,761,140	194,263	60,374	452,245	3,112,216	3,112,216

RURAL BUSINESS DEVELOPMENT 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)

APPENDIX B.2	SoE Withdrawal Schedule of IFAD Grant No. I-C-1337-BA for the year ended 31 December 2019						
	Initial deposit	Enterprise Support Fund	workshops and training, studies	National Technical assistance, equipment	Vehicle and Equipment	Total application	Total disbursed
Previous years	150,000	14,889	12,219	-	-	27,108	150,000
Total direct payments	-	-	-	-	-	-	-
Application 2	-	51,088	8,250	-	-	59,338	86,446
Application 3	(150,000)	115,248	3,218	31,534	-	150,000	-
Application 4	-	15,950	-	-	-	15,950	15,950
Total SOE application 2019	-	182,286	11,468	31,534	-	225,288	102,396
Cumulative 2019	-	197,175	23,687	31,534	-	252,396	252,396

RURAL BUSINESS DEVELOPMENT 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)

APPENDIX C.1 Reconciliation between IFAD's Historic Transaction Report in XDR and IFAD Loan account in EUR according to the to the balance sheet as of 31 December 2019; SoE Withdrawal Schedule of IFAD Loan No. 859-BA

	Changes in IFAD Loan (in XDR)	Exchange rate used	Changes in IFAD Loan (in EUR)
Original amount	3,245,000	1.25986	4,088,245
Withdrawal 1	396,869	1.25986	500,000
Total disbursed in 2016	396,869		500,000
Withdrawal 2	119,672	1.27862	153,015
Total disbursed in 2017	119,672		153,015
Withdrawal 3	148,701	1,17597	174,868
Withdrawal 4	415,939	1,20210	500,000
Withdrawal 5	646,299	1,21902	787,852
Total disbursed in 2018	1,210,939		1,462,719
Withdrawal 6	493,595	1,23610	610,132
Withdrawal 7	240,975	1,23238	296,973
Withdrawal 8	759,100	1,22859	932,623
Refund to IFAD	(686,352)	1,22858	(843,246)
Total disbursed in 2019	807,318		996,482
Cumulative disbursements	2,534,798		3,112,216
Calculated undisbursed balance as of 31 December 2019	710,202		976,029
Undisbursed balance as per IFAD's Historic Transaction Report	710,202	1,237480	878,861
Potential exchange rate gain			(97,168)

RURAL BUSINESS DEVELOPMENT 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)

APPENDIX C.2 Reconciliation between IFAD's Historic Transaction Report in XDR and IFAD Grant account in EUR according to the to the balance sheet as of 31 December 2019; SoE Withdrawal Schedule of IFAD Grant No. I-C-1337-BA

	Changes in IFAD Grant (in XDR)	Exchange rate used	Changes in IFAD Grant (in EUR)
Original amount	199,000	1.25986	250,712
Withdrawal 01	118,898	1.26159	150,000
Total disbursed in 2016	118,898		150,000
Total disbursed in 2017	-		-
Total disbursed in 2018	-		-
Cumulative disbursements	118,898		150,000
Withdrawal 02	70,046	1,23413	86,446
Withdrawal 03	12,982	1,22859	15,950
Total disbursed in 2019	83,028		102,396
Cumulative disbursements	201,926		252,396
Calculated undisbursed balance as of 31 December 2019	(2,926)		(1,684)