

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**

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## RURAL BUSINESS DEVELOPMENT 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 (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.

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**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  
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**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**

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

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## 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 Fejzic, 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<br>2019   | Cumulative<br>2019 | Cumulative<br>2018 | Cumulative<br>budget | Cumulative<br>variance |
|--|------------|------------------|--------------------|--------------------|----------------------|------------------------|
| <b>FINANCING</b>   |            |                  |                    |                    |                      |                        |
| 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                |
| <b>TOTAL FINANCING</b>   | <b>3.2</b> | <b>4,306,781</b> | <b>9,817,601</b>   | <b>5,510,820</b>   | <b>14,389,326</b>    | <b>4,572,104</b>       |
| <b>PROJECT EXPENDITURE</b>                                     |            |                  |                    |                    |                      |                        |
| <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  |            | -                | -                  | -                  | -                    | -                      |
| <b>TOTAL EXPENDITURE</b>                                       | <b>3.2</b> | <b>4,542,263</b> | <b>8,198,373</b>   | <b>3,656,110</b>   | <b>14,389,326</b>    | <b>6,190,953</b>       |
| <b>PROJECT EXPENDITURE</b>                                     |            |                  |                    |                    |                      |                        |
| <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                |
| <b>TOTAL EXPENDITURE</b>                                       | <b>3.2</b> | <b>4,542,263</b> | <b>8,198,373</b>   | <b>3,656,110</b>   | <b>14,389,326</b>    | <b>6,190,953</b>       |

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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<br>2019   | Cumulative<br>2019 | Cumulative<br>2018 | Cumulative<br>budget | Cumulative<br>variance |
|--|------------|------------------|--------------------|--------------------|----------------------|------------------------|
| <b>FINANCING</b>   |            |                  |                    |                    |                      |                        |
| IFAD Loan No.859-BA  |            |                  |                    |                    | <b>4,088,245</b>     |                        |
| Initial deposit  |            | -                | 1,000,000          | 1,000,000          |                      |                        |
| Direct payments  |            | -                | -                  | -                  |                      |                        |
| SoE replenishments   |            | 996,482          | 2,112,216          | 1,115,734          |                      |                        |
| <b>TOTAL FINANCING</b>   | <b>3.2</b> | <b>996,482</b>   | <b>3,112,216</b>   | <b>2,115,734</b>   | <b>4,088,245</b>     | <b>976,029</b>         |
| <b>PROJECT EXPENDITURE</b>                                     |            |                  |                    |                    |                      |                        |
| <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                |
| <b>TOTAL EXPENDITURE</b>                                       | <b>3.2</b> | <b>1,459,572</b> | <b>3,112,216</b>   | <b>1,652,644</b>   | <b>4,088,245</b>     | <b>976,029</b>         |

**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<br>2019 | Cumulative<br>2019 | Cumulative<br>2018 | Cumulative<br>budget | Cumulative<br>variance |
|--|------------|----------------|--------------------|--------------------|----------------------|------------------------|
| <b>FINANCING</b>   |            |                |                    |                    |                      |                        |
| Government contribution  |            | 845,241        | 1,458,094          | 612,853            | 4,389,185            | 2,931,091              |
| <b>TOTAL FINANCING</b>   | <b>3.2</b> | <b>845,241</b> | <b>1,458,094</b>   | <b>612,853</b>     | <b>4,389,185</b>     | <b>2,931,091</b>       |
| <b>PROJECT EXPENDITURE</b>                                     |            |                |                    |                    |                      |                        |
| <i>By Category</i>   |            |                |                    |                    |                      |                        |
| 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)                |
| <b>TOTAL EXPENDITURE</b>                                       | <b>3.2</b> | <b>6,425</b>   | <b>39,254</b>      | <b>32,829</b>      | <b>4,389,185</b>     | <b>4,349,931</b>       |

**RURAL BUSINESS DEVELOPMENT PROJECT**  
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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<br>2019 | Cumulative<br>2019 | Cumulative<br>2018 | Cumulative<br>budget | Cumulative<br>variance |
|--|------|----------------|--------------------|--------------------|----------------------|------------------------|
| <b>FINANCING</b>                         |      |                |                    |                    |                      |                        |
| IFAD Grant No. I-C-1337-BA               |      |                |                    |                    | 250,712              |                        |
| Initial deposit                          |      | -              | 150,000            | 150,000            |                      |                        |
| Direct payment                           |      | -              | -                  | -                  |                      |                        |
| SOE replenishments                       |      | 102,396        | 102,396            |                    | -                    |                        |
| <b>TOTAL FINANCING</b>                   | 3.2  | <b>102,396</b> | <b>252,396</b>     | <b>150,000</b>     | <b>250,712</b>       | <b>(1,684)</b>         |
| <b>PROJECT EXPENDITURE</b>               |      |                |                    |                    |                      |                        |
| <i>By Category</i>                       |      |                |                    |                    |                      |                        |
| 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                  |
| <b>TOTAL EXPENDITURE</b>                 | 3.2  | <b>225,288</b> | <b>252,396</b>     | <b>27,108</b>      | <b>250,712</b>       | <b>(1,684)</b>         |

**RURAL BUSINESS DEVELOPMENT PROJECT**  
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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<br>2019   | Actual<br>2019   | Cumulative<br>2018 | Cumulative<br>budget | Cumulative<br>variance |
|-----------------------------|------------|------------------|------------------|--------------------|----------------------|------------------------|
| <b>FINANCING</b>            |            |                  |                  |                    |                      |                        |
| Beneficiaries contribution  |            | 900,802          | 2,195,604        | 1,294,802          | 2,195,604            | -                      |
| <b>TOTAL FINANCING</b>      | <b>3.2</b> | <b>900,802</b>   | <b>2,195,604</b> | <b>1,294,802</b>   | <b>2,195,604</b>     | <b>-</b>               |
| <b>PROJECT</b>              |            |                  |                  |                    |                      |                        |
| <b>EXPENDITURE</b>          |            |                  |                  |                    |                      |                        |
| <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                   | -                      |
| <b>TOTAL EXPENDITURE</b>    | <b>3.2</b> | <b>1,207,299</b> | <b>2,195,225</b> | <b>987,926</b>     | <b>2,195,225</b>     | <b>-</b>               |

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

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**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<br>2019 | 31 December<br>2018 |
|--|-------|---------------------|---------------------|
| <b>ASSETS</b>  |       |                     |                     |
| 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             |
|  |       | <b>8,198,373</b>    | <b>3,656,110</b>    |
| 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             |
|  |       | <b>332,251</b>      | <b>1,411,270</b>    |
| VAT receivables  |       | <b>1,286,977</b>    | <b>443,440</b>      |
| <b>Total assets</b>  |       | <b>9,817,601</b>    | <b>5,510,820</b>    |
| <b>LIABILITIES</b>   |       |                     |                     |
| 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           |
| <b>Total liabilities</b>                                   |       | <b>9,817,601</b>    | <b>5,510,820</b>    |

Signed and authorised by:

  
Mr Stefan Mitrović  
APCU Director

  
Dragana Stojičić  
Financial Manager

Banja Luka, 5 May 2020

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

**4.1 Basis of preparation and accounting records**

These project financial statements have been prepared 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.

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**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.

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**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              |
|---|------|------------------|
| <b>Opening balance 1 January 2019</b>               | 3.2  | <b>462,984</b>   |
| Add:  |      |                  |
| IFAD replenishments                                 | B    | 996,482          |
|   |      | <b>1,459,466</b> |
| Deduct:   |      |                  |
| Payments to suppliers - Expenditure under IFAD Loan |      | 1,459,466        |
|   |      | <b>1,459,466</b> |
| <b>Ending balance 31 December 2019</b>              | 3.2  | -                |

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**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            |
|--|------|------------------|----------------|
| <b>Opening balance 1 January 2019</b>                | 3.2  | <b>268,053</b>   | <b>137,054</b> |
| Add:   |      |                  |                |
| Government Contribution                              |      | 1,653,148        | 845,241        |
|  |      | <b>1,653,148</b> | <b>845,241</b> |
| Deduct:  |      |                  |                |
| Payments to suppliers - Expenditure under Government |      | 1,661,898        | 849,715        |
|  |      | <b>1,661,898</b> | <b>849,715</b> |
| <b>Ending balance 31 December 2019</b>               | 3.2  | <b>259,303</b>   | <b>132,580</b> |

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**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

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

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

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**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

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

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

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**APPENDIX B.2      SoE Withdrawal Schedule of IFAD Grant No. I-C-1337-BA for the year ended 31 December 2019**

|                                   | National        |                         |                       |                       |                   |                 |
|-----------------------------------|-----------------|-------------------------|-----------------------|-----------------------|-------------------|-----------------|
|                                   | Initial deposit | Enterprise Support Fund | workshops and studies | Vehicle and Equipment | Total application | Total disbursed |
| <b>Previous years</b>             | <b>150,000</b>  | <b>14,889</b>           | <b>12,219</b>         | <b>-</b>              | <b>27,108</b>     | <b>150,000</b>  |
| <b>Total direct payments</b>      | <b>-</b>        | <b>-</b>                | <b>-</b>              | <b>-</b>              | <b>-</b>          | <b>-</b>        |
| 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          |
| <b>Total SOE application 2019</b> | <b>-</b>        | <b>182,286</b>          | <b>11,468</b>         | <b>31,534</b>         | <b>225,288</b>    | <b>102,396</b>  |
| <b>Cumulative 2019</b>            | <b>-</b>        | <b>197,175</b>          | <b>23,687</b>         | <b>31,534</b>         | <b>252,396</b>    | <b>252,396</b>  |

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**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<br>IFAD Loan<br>(in XDR) | Exchange<br>rate used | Changes in<br>IFAD Loan<br>(in EUR) |
|--|-------------------------------------|-----------------------|-------------------------------------|
| <b>Original amount</b>   | <b>3,245,000</b>                    | 1.25986               | <b>4,088,245</b>                    |
| Withdrawal 1   | 396,869                             | 1.25986               | 500,000                             |
| <b>Total disbursed in 2016</b>                                       | <b>396,869</b>                      |                       | <b>500,000</b>                      |
| Withdrawal 2   | 119,672                             | 1.27862               | 153,015                             |
| <b>Total disbursed in 2017</b>                                       | <b>119,672</b>                      |                       | <b>153,015</b>                      |
| Withdrawal 3   | 148,701                             | 1,17597               | 174,868                             |
| Withdrawal 4   | 415,939                             | 1,20210               | 500,000                             |
| Withdrawal 5   | 646,299                             | 1,21902               | 787,852                             |
| <b>Total disbursed in 2018</b>                                       | <b>1,210,939</b>                    |                       | <b>1,462,719</b>                    |
| 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)                           |
| <b>Total disbursed in 2019</b>                                       | <b>807,318</b>                      |                       | <b>996,482</b>                      |
| <b>Cumulative disbursements</b>                                      | <b>2,534,798</b>                    |                       | <b>3,112,216</b>                    |
| <b>Calculated undisbursed balance as of 31 December 2019</b>         | <b>710,202</b>                      |                       | <b>976,029</b>                      |
| <b>Undisbursed balance as per IFAD's Historic Transaction Report</b> | <b>710,202</b>                      | 1,237480              | <b>878,861</b>                      |
| <b>Potential exchange rate gain</b>                                  |                                     |                       | <b>(97,168)</b>                     |

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

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