

Report on the Consolidated Project Financial
Statements of the

**ADDITIONAL FINANCING TO 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
- IBRD Loan No. 8906 BA

For the year ended 31 December 2023

**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.

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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.

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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.

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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.

1.2.1 Components and activities of the Project - IBRD additional financing

Proposed Financing. The proposed AF will be supported by an IBRD loan of €27.3 (US \$32 million equivalent), with 60 percent of the proposed loan to be provided to the FB&H (€16.4 million) and 40 percent (€10.9 million) to the RS, respectively.

Project financing will be complemented by co-financing provided by the entity Governments from two sources: (i) project reflows generated through the revolving financing models introduced for EE investments and reinvested in the form of joint co-financing with BEEP AF resources; and (ii) Value Added Tax (VAT) refunds on BEEP AF expenses, which will also be reinvested in the form of joint co-financing to the project. The total amount of available co-financing from these two sources is estimated to amount to €7.95 million.

COMPONENT 1: EE Investments in Public Facilities (estimated costs of €23.4 million IBRD financing and estimated €7.9 million Government co-financing through the revolving financing models). This component will continue supporting EE improvements in selected public buildings, including related civil works, goods and services.

COMPONENT 2: Support for the Development of Scalable Financing Mechanisms and Capacity Building (estimated costs of €2.15 million IBRD financing). This component will build on activities implemented under BEEP and provide technical assistance aimed at: (i) supporting the development and implementation of scalable EE financing mechanisms; (ii) enhancing local market capacity and improving EE enabling environment; and (iii) strengthening public awareness on EE.

COMPONENT 3: Project Management (estimated costs of €1.8 million, including €1.61 million IBRD financing and €0.19 million Government in-kind contribution). This component will continue providing support for effective implementation and management of the AF, including PIU staff; project-related operating costs and PIU trainings; and annual audits of project accounts. The PIUs are composed of the following Ministry staff and consultants: (i) in the FBiH: Project Ministry focal point, PIU Coordinator, three technical experts, financial management (FM) specialist, procurement specialist, contract management specialist and administrative support; and (ii) in the RS: Project Manager (Ministry staff), two technical experts, FM manager (Ministry staff), FM specialist, procurement specialist, operations officer, communications specialist, and EE financing specialist.

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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 10,920,000 and Portion B of the Credit (Credit 5538-BA) XDR 1,560,000.

Under the terms of a subsidiary finance agreement between State of Bosnia and Herzegovina and Republika Srpska ("RS"), funds of the equivalent of 5393 RS amount 7,280,000 XDR and RS 5538/BA amount XDR 1,040,000 have been lent to RS.

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 27 May 2015. Planned closing date was 30 June 2018. Closing date was prolonged until 30 June 2020.

1.3.2. IBRD Loan No. 8906-BA

The State of Bosnia and Herzegovina is the borrower of the International Bank of Reconstruction and Development (IBRD) of Loan No. 8906 BA, amounting to the equivalent of EUR 27,276,989.

Under the terms of a subsidiary finance agreement between State of Bosnia and Herzegovina and Federation of Bosnia and Herzegovina (FBiH), funds of the equivalent EUR 16,366,193 are related to the Federation part of the Project.

Under the terms of a subsidiary finance agreement between State of Bosnia and Herzegovina and Republika Srpska ("RS"), funds of the equivalent of 8906 RS 10,910,796 EUR.

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:

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1.3 Financing of the Project (continued)

1.3.2. IBRD Loan No. 8906-BA (continued)

| Item | Amount of the Credit allocated (in EUR) | % 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 | 16,325,278 | 100% |
| (2) Goods, works, consultants' services and operating costs for the Project (8906/BA) | 10,883,519 | 100% |
| (3) Front-end Fee | 68,192 | - |
| Subtotal | | 27,276,989 |

1.3.3. 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.

Baker Tilly Re Opinion d.o.o.

Bulevar M. Selimovića 81a

71000 Sarajevo

Bosna i Hercegovina

T: +387 (0) 33 525 226

info@bakertilly.ba

www.bakertilly.ba

Independent Auditor's Report

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

Report on the Consolidated Project Financial Statements

Opinion

We have audited the accompanying Consolidated Project Financial Statements of the Energy Efficiency Project (the "Project"), which comprise of Summary of sources and uses of funds, Balance sheet, Designated account statements, local bank account statements, Statements of Credit withdrawals as of and for the year ended 31 December 2023, and a summary of significant accounting policies and other explanatory notes for the year then ended, financed under IDA Credit No. 5393-BA, IDA Credit No. 5538-BA and IBRD Credit No. 8906-BA.

In our opinion, the accompanying consolidated project financial statements present fairly, in all material aspects, the financial position of the Project as of 31 December 2023, 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. In conducting audit we were also guided by the Bank's financial reporting and auditing requirements, Disbursement Guidelines for Investment Project Financing, the Loan Handbook for World Bank Borrowers and the World Bank's Procurement Framework. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Ministry of Finance and Treasury in accordance with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Project Financial Statements

The management of project implementation unit in F&H and management of project coordination unit in RS is responsible for the preparation of separate project financial statements in accordance with the cash basis of accounting based on IPSAS, as described in Note 4.1. Guidelines: Annual Financial Reporting and Auditing for World Bank-Financed Activities, and for such internal control as management determines is necessary to enable the preparation of separate project financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the separate financial statements, management is responsible for assessing the Project's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Project or to cease operations or has no realistic alternative but to do so. Those charged with governance are responsible for overseeing the financial reporting process. These consolidated financial statements are sum of separate project financial statements.

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Responsibilities for the Audit of Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated project financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated project financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Project's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Project's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Project to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated project financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Report on other requirements

In addition, with respect to the Statement of Expenditure, adequate documentation supporting Disbursement Linked Indicators or Performance Based Conditions and underlying expenditures has been maintained to support claims for reimbursements of expenditures occurred and such expenditure were eligible and incurred for the purpose intended under the financing funds. Also, respective reports issued during the period were in agreement with the underlying books of account.

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

Jasmina Oručević, Director
Sarajevo, 27 May 2024



Aldijana Gabela, Certified Auditor

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Consolidated Project Financial Statements for the year ended 31 December 2023
(*all amounts in EUR, unless otherwise stated*)

3. Consolidated Project Financial Statements for the year 2023

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

| | Ref. | Actual 2023 | Cumulative 2023 | Cumulative 2022 | Cumulative budget | Cumulative variance |
|--------------------------|------------|----------------|--------------------|--------------------|----------------------|------------------------|
| FINANCING | | | | | | |
| IDA Credit No. 5393 - BA | 3.1.1 | - | 22,806,560 | 22,806,560 | 22,995,182 | |
| IDA Credit No. 5538 - BA | 3.1.2 | - | 2,918,761 | 2,918,761 | 3,454,838 | |
| IDA Co-financing | 3.1.3 | - | 2,021,432 | 2,021,432 | - | |
| Government contribution | 3.1.4 | - | 2,167,428 | 2,167,428 | - | |
| Other income | 3.1.5 | - | (16) | (16) | - | |
| TOTAL FINANCING | 3.2 | - | 29,914,165 | 29,914,165 | 26,450,020 | (3,464,145) |

PROJECT EXPENDITURE

By Category

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

- 16,749,574 16,749,574 15,899,020

Goods, works, consultants' services and operating costs for Part 2.B of the Project

- 12,083,679 12,083,679 10,551,000

TOTAL EXPENDITURE 3.2 - **28,833,253** **28,833,253** **26,450,020** **(2,383,233)**

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3. Consolidated Project Financial Statements for the year 2023 (continued)

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

| | Ref. | Actual 2023 | Cumulative 2023 | Cumulative 2022 | Cumulative budget | Cumulative variance |
|---|------|---------------------|--------------------|--------------------|----------------------|------------------------|
| FINANCING | | | | | | |
| <i>IDA Credit No.5393 - BA</i> | | | | | <i>22,955,182</i> | |
| Initial deposit | | - 1,460,000 | 1,460,000 | | | |
| Direct payments | | - 9,725,436 | 9,725,436 | | | |
| SoE replenishments | | - 11,621,124 | 11,621,124 | | | |
| TOTAL FINANCING | 3.1. | - 22,806,560 | 22,806,560 | 22,995,182 | 188,622 | |
| PROJECT EXPENDITURE | | | | | | |
| <i>By Category</i> | | | | | | |
| Goods, works, consultants' services and operating costs for Part 1 of the Project | | - 13,474,337 | 13,474,337 | 13,911,642 | | |
| Goods, works, consultants' services and operating costs for Part 2.B of the Project | | - 9,130,974 | 9,130,974 | 9,083,540 | | |
| TOTAL EXPENDITURE | 3.2 | - 22,605,311 | 22,605,311 | 22,995,182 | 389,871 | |

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3. Consolidated Project Financial Statements for the year 2023 (continued)

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

| | Ref. | Actual 2023 | Cumulative 2023 | Cumulative 2022 | Cumulative budget | Cumulative variance |
|--------------------------------|------|----------------|--------------------|--------------------|----------------------|------------------------|
| FINANCING | | | | | | |
| <i>IDA Credit No.5538 - BA</i> | | | | | 3,454,838 | |
| Initial deposit | | - | 807,962 | 807,962 | | |
| Direct payments | | - | 455,406 | 455,406 | | |
| SoE replenishments | | - | 1,655,393 | 1,655,393 | | |
| TOTAL FINANCING | 3.1. | - | 2,918,761 | 2,918,761 | 3,454,838 | 536,077 |

PROJECT EXPENDITURE

By Category

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

Project - 1,882,004 1,882,004 1,987,378

Goods, works, consultants' services and operating costs for Part 2.B of the

Project - 1,231,053 1,231,053 1,467,460

| | | | | | | |
|--------------------------|-----|---|------------------|------------------|------------------|----------------|
| TOTAL EXPENDITURE | 3.2 | - | 3,113,057 | 3,113,057 | 3,454,838 | 341,781 |
|--------------------------|-----|---|------------------|------------------|------------------|----------------|

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Consolidated Project Financial Statements for the year ended 31 December 2023
(*all amounts in EUR, unless otherwise stated*)

3. Consolidated Project Financial Statements for the year 2023 (continued)

3.1.3 Summary of sources and uses of funds under the IDA Co-financing (RS only)

| | Ref. | Actual 2023 | Cumulative 2023 | Cumulative 2022 | Cumulative budget | Cumulative variance |
|------------------------|------|----------------|--------------------|--------------------|----------------------|------------------------|
| FINANCING | | | | | | |
| IDA Co-financing | 3.1 | - | 2,021,432 | 2,021,432 | - | |
| TOTAL FINANCING | | - | 2,021,432 | 2,021,432 | - | (2,021,432) |

PROJECT EXPENDITURE

By Category

(2) Goods, works,
consultants' services and
operating costs for Part 2.B
of the Project

| | | | | | | |
|--------------------------|-----|---|------------------|------------------|---|--------------------|
| | 3.2 | - | 1,738,470 | 1,738,470 | - | |
| TOTAL EXPENDITURE | | - | 1,738,470 | 1,738,470 | - | (1,721,652) |

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Consolidated Project Financial Statements for the year ended 31 December 2023
(*all amounts in EUR, unless otherwise stated*)

3. Consolidated Project Financial Statements for the year 2023 (continued)

3.1.4 Summary of sources and uses of funds under the IBRD Credit No. 8906-BA

| | Ref. | Actual 2023 | Cumulative 2023 | Cumulative 2022 | Cumulative budget | Cumulative variance |
|---|-----------|------------------|--------------------|--------------------|----------------------|------------------------|
| FINANCING | | | | | | |
| IBRD 8906 - BA | | - | - | - | 27,276,989 | |
| Initial deposit | | - | 3,500,000 | 3,500,000 | - | |
| Direct payments | 282,198 | 4,844,650 | 4,562,452 | | | |
| Front-End Fee | | - | 68,192 | 68,192 | - | |
| SOE replenishments | 2,615,751 | 17,341,078 | 14,725,327 | | - | |
| TOTAL FINANCING | | 2,897,949 | 25,753,920 | 22,855,971 | 27,276,989 | 1,523,069 |
| PROJECT EXPENDITURE | | | | | | |
| <i>By Category</i> | | | | | | |
| Goods, works, consultants' services and operating costs for Part 1 of the Project | | 2,771,729 | 13,682,071 | 10,910,342 | 16,325,278 | |
| Goods, works, consultants' services and operating costs for Part 2.B of the Project | | 654,301 | 10,382,972 | 9,728,671 | 10,883,519 | |
| Front-End Fee | | - | 68,192 | 68,192 | 68,192 | |
| TOTAL EXPENDITURE | | 3,426,030 | 24,133,235 | 20,707,205 | 27,276,989 | 3,143,754 |

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3. Consolidated Project Financial Statements for the year 2023 (continued)

3.2.1 Balance sheet as of 31 December 2023 showing accumulated funds of the Project and bank balances concerning World Bank Funding

| | Ref. | 31 December 2023 | 31 December 2022 |
|--|----------|---------------------|---------------------|
| ASSETS | | | |
| Project expenditure under IDA Credit No. 5393 BA | 3.1.1 | 22,605,311 | 22,605,311 |
| Project expenditure under IDA Credit No. 5538 BA | 3.1.2 | 3,113,057 | 3,113,057 |
| IDA Co-financing | 3.1.3 | 1,738,470 | 1,721,652 |
| Project expenditure under Government contribution | 3.1.4 | 1,393,233 | 1,393,233 |
| | | 28,850,071 | 28,833,253 |
| Designated account - IDA Credit No. 5393 BA (FB&H) | A.1, A.2 | 6,938 | 6,938 |
| Designated account – IDA Credit No. 5393 BA, 5538 BA (RS) | A.3 | - | - |
| Local bank account- Government (FB&H) | | 774,195 | 774,195 |
| Local bank account – co-financing (RS) | A.4 | 44,625 | 61,443 |
| Receivables for paid VAT – under IDA Credit No. 5393 BA (RS) | A.5 | 238,336 | 238,336 |
| | | 1,064,094 | 1,080,912 |
| Total assets | | 29,914,165 | 29,914,165 |
| LIABILITIES | | | |
| IDA Credit No. 5393 BA | C.1 | 22,806,560 | 22,806,560 |
| IDA Credit No. 5538 BA | C.2 | 2,918,761 | 2,918,761 |
| IDA Co-financing | 3.1.3 | 2,021,432 | 2,021,432 |
| Government contribution | 3.1.4 | 2,167,428 | 2,167,428 |
| Other income | 3.1.5 | (16) | (16) |
| Total liabilities | | 29,914,165 | 29,914,165 |

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3. Project financial statements for the year 2023 (continued)

3.2.2 Balance sheet as of 31 December 2023 showing accumulated funds of the Project and bank balances concerning World Bank funding IBRD No. 8906-BA

| | Ref. | 31 December 2023 | 31 December 2022 |
|--|-------|---------------------|---------------------|
| ASSETS | | | |
| Project expenditure under IBRD No. 8906-BA | 3.1.6 | 24,065,043 | 20,639,013 |
| Front-end fee | | 68,192 | 68,192 |
| | | 24,133,235 | 20,707,205 |
| Designated account - IBRD No. 8906-BA (FB&H) | A.6 | 1,120,138 | 993,917 |
| Designated account - IBRD No. 8906-BA (RS) | A.7 | 500,547 | 1,154,848 |
| Total assets | | 1,620,685 | 2,148,765 |
| | | 25,753,920 | 22,855,970 |
| LIABILITIES | | | |
| IBRD Credit No. 8906-BA | C.3 | 25,685,728 | 22,787,778 |
| Front-end fee | | 68,192 | 68,192 |
| Total liabilities | | 25,753,920 | 22,855,970 |

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4. Notes to the consolidated project financial statements

4.1 Basis of preparation and accounting records

These consolidated project financial statements have been prepared on the cash basis of accounting based on International Public Sector Accounting Standards issued by the Public Sector Committee of the International Federation of Accountants, and incorporate the accounting policies below, which have been consistently followed in all material respects 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.

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

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4. Notes to the Consolidated 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 – FB&H

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 2023 | 3.2 | 6,912 |
| Add: | | |
| Interest | | - |
| Deduct: | | |
| Transfer to designated sub-account | A.2 | - |
| Ending balance 31 March 2023 | 3.2 | 6,912 |

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APPENDIX A.2

DESIGNATED SUB-ACCOUNT STATEMENT – FB&H

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 2023 | 3.2 | 50 | 25 |
| Add: Transfers from DA - IDA Credit 5393 - BA | A.1. | - | - |
| Deduct: Payments to suppliers - Expenditure under IDA Credit | | - | - |
| Ending balance 31 December 2023 | 3.2 | 50 | 25 |

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APPENDIX A.3 DESIGNATED ACCOUNT STATEMENT - RS

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

Account No.: 5672410000606210

Depository Bank: SberBank a.d. Banja Luka

Address: Jevrejska 71, Banja Luka

Related Credit: IDA Credit No. 5393 BA

Currency: EUR

| | Ref. | EUR |
|--|-------------|------------|
| Opening balance 1 January 2023 | | - |
| Add: | | - |
| World Bank replenishments | | - |
| Transfers from Designated sub-account - IDA Credit | | - |
| | | - |
| Deduct: | | - |
| Payments to suppliers - Expenditure under IDA Credit | | - |
| | | - |
| Ending balance 31 December 2023 | 3.1 | - |

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APPENDIX A.4 LOCAL ACCOUNT STATEMENT - RS

Account owned by: Ministry of Finance RS
Account No.: 562 099 81350309-15
Depository Bank: NLB Bank a.d. Banja Luka
Address: Milana Tepić br 2, Banja Luka
Related Credit: Co-financing IDA Credit No. 5393 BA
Currency: BAM

| | Ref. | BAM | EUR |
|--|------|--------|--------|
| Opening balance 1 January 2023 | 3.1 | 87,280 | 44,625 |
| Add: | | | |
| Reimbursements | | - | - |
| VAT return | | - | - |
| | | - | - |
| Deduct: | | | |
| VAT payments | | - | - |
| Payments of expenditures | | 4,138 | 2,116 |
| | | - | - |
| Ending balance 31 December 2023 | 3.1 | 83,142 | 42,509 |

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APPENDIX A.5

ACCOUNT STATEMENT - RS

Account owned by: Ministry of Finance Republika Srpska
Account No.: 555-09000114230-81
Depository Bank: Nova banka Banja Luka
Address: Marije Bursać 7 Banja Luka
Related Credit: Co-financing
Currency: BAM

| | Ref. | BAM | EUR |
|---|------|------------------|------------------|
| Opening balance 1 January 2023 | | 466,145 | 238,336 |
| Add: Fond za zaštitu životne sredine and Municipality Modriča replenishment | | - - - - | - - - - |
| Deduct: Payments to suppliers - Expenditure | | - - - | - - - |
| Ending balance 31 December 2023 | | 466,145 | 238,336 |

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APPENDIX A.6

DESIGNATED ACCOUNT STATEMENT – FB&H

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

Account No.: 393387304856198007

Depository Bank: UniCredit Bank d.d.

Address: Kardinala Stepinca bb

Related Credit: IBRD Credit No. 8906-BA

Currency: EUR

| | Ref. | BAM | EUR |
|---|------|------------------|------------------|
| Opening balance 1 January 2023 | 3.2 | 1,943,936 | 993,917 |
| Add: IBRD replenishments | B | 5,115,964 | 2,615,751 |
| Deduct: Payments of expenditures during the period | | 4,869,100 | 2,489,530 |
| Ending balance 31 December 2023 | 3.2 | 2,190,800 | 1,120,138 |

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APPENDIX A.7

DESIGNATED ACCOUNT STATEMENT - RS

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

Account No.: 555 00000482681 88

Depository Bank: Nova banka a.d. Banja Luka

Address: Kralja Alfonsa XIII-37 a, Banja Luka

Related Credit: IBRD Credit No. 8906 BA

Currency: EUR

| | Ref. | EUR |
|--|-------|------------------|
| Opening balance 1 January 2023 | | 1,154,847 |
| Add: World Bank replenishments | B.1 | - |
| | | - |
| Deduct: Payments to suppliers - Expenditure under IBRD Credit | | 88 |
| Transfers to Designated sub-account - IBRD Credit | A.7.1 | 654,212 |
| | | 654,300 |
| Ending balance 31 December 2023 | | 500,547 |

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APPENDIX A.7.1

DESIGNATED SUB - ACCOUNT STATEMENT - RS

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

Account No.: 555 00000482681 88

Depository Bank: Nova Bank a.d. Banja Luka

Address: Kralja Alfonsa XIII-37 a, Banja Luka

Related Credit: IBRD Credit No. 8906 BA

Currency: BAM

| | Ref. | BAM | EUR |
|---|------|------------------|----------------|
| Opening balance 1 January 2023 | | - | - |
| Add: | | | |
| Transfer from Designated account – IBRD Credit | A.7 | 1,279,529 | 654,213 |
| | | 1,279,529 | 654,213 |
| Payments to suppliers - Expenditure under IBRD Credit | | 1,279,529 | 654,213 |
| Ending balance 31 December 2023 | 3.2 | - | - |

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APPENDIX A.8

ACCOUNT STATEMENT-VAT - RS

Account owned by: Ministry of Finance of Republika Srpska

Account No.: 555 10000476904-06

Depository Bank: Nova banka a.d. Banja Luka

Address: Kralja Alfonsa XIII 37 A, Banja Luka

Related Credit: IBRD Credit No. 8906 BA

Currency: BAM

| | Ref. | BAM | EUR |
|---|------------|------------------|----------------|
| Opening balance 1 January 2023 | | 1,384,299 | 707,781 |
| Add: | | | |
| Transfer from UIO – VAT refund | | 576,274 | 294,644 |
| Transfer from sale of tender documentation | | | |
| | | 576,274 | 294,644 |
| Payments to suppliers - Expenditure under IBRD Credit | | 947,150 | 484,270 |
| | | - | - |
| Ending balance 31 December 2023 | 3.2 | 1,013,423 | 518,155 |

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APPENDIX B.1 SoE Withdrawal Schedule of IDA Credit No. 5393 BA for the year ended 31 December 2023

| | Initial deposit | Goods, works, consultants' services, and operating costs for Part 1 of the Project | Goods, works, consultants' services, and operating costs for Part 2.B of the Project | Total application | Total replenished |
|--|--------------------|---|---|----------------------|----------------------|
| Previous period | 460,000 | 13,474,337 | 9,130,974 | 22,605,311 | 22,806,560 |
| Total direct payments in 2023 | - | - | - | - | - |
| Total SoE applications in 2023 | - | - | - | - | - |
| Total 2023 | - | - | - | - | - |
| Cumulative as of 31 December 2023 | 460,000 | 13,474,337 | 9,130,974 | 22,605,311 | 22,806,560 |

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APPENDIX B.2 SoE Withdrawal Schedule of IDA Credit No. 5538 BA for the year ended 31 December 2023

| | Initial deposit | Goods, works, consultants' consultants' services, and operating costs for Part 1 of the Project | Goods, works, consultants' services, and operating costs for Part 2.B of the Project | Total application | Total replenished |
|--|--------------------|---|---|----------------------|----------------------|
| Previous period | 807,962 | 1,882,004 | 1,231,053 | 3,113,057 | 2,918,761 |
| <hr/> | | | | | |
| Total direct payments in 2023 | - | - | - | - | - |
| Application | - | - | - | - | - |
| Total SoE applications in 2023 | - | - | - | - | - |
| Total 2023 | - | - | - | - | - |
| Cumulative as of 31 December 2023 | 807,962 | 1,882,004 | 1,231,053 | 3,113,057 | 2,918,761 |

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APPENDIX B.3 SoE Withdrawal Schedule of IBRD Credit No. 8906-BA for the year ended 31 December 2022

| | Initial deposit | Goods, works, consultants' services, and operating costs for Part 1 of the Project | Goods, works and consultants' services for Parts 2,B and 2,C of the Project | Front end-fee | Total application | Total replenished |
|--|------------------|--|---|---------------|-------------------|-------------------|
| Previous period | 3,154,848 | 10,910,343 | 2,071,335 | 68,192 | 20,707,205 | 22,855,970 |
| Application 41 (FB&H) | - | 106,744 | - | - | 106,744 | 106,744 |
| Application 43 (FB&H) | - | 175,454 | - | - | 175,454 | 175,454 |
| Total direct payments 2023 | - | 282,198 | | | 282,198 | 282,198 |
| Application 33 (RS) | (3,676) | - | 3,676 | - | 3,676 | - |
| Application 34 (RS) | (214,127) | - | 214,127 | - | 214,127 | - |
| Application 35 (RS) | (164,639) | - | 164,639 | - | 164,639 | - |
| Application 36 (RS) | (271,859) | - | 271,859 | - | 271,859 | - |
| Application 39*(FB&H) | - | - | - | - | - | 1,006,083 |
| Application 40(FB&H) | - | 606,428 | - | - | 606,428 | 606,428 |
| Application 42(FB&H) | - | 715,208 | - | - | 715,208 | 715,208 |
| Application 44(FB&H) | - | 288,033 | - | - | 288,033 | 288,033 |
| Application 45**(FB&H) | - | 724,899 | - | - | 724,899 | - |
| Application 46**(FB&H) | - | 154,964 | - | - | 154,964 | - |
| Total SoE applications in 2023 | (654,301) | 2,489,532 | 654,301 | - | 3,143,833 | 2,615,752 |
| Total 2023 | (654,301) | 2,771,730 | 654,301 | - | 3,426,030 | 2,897,950 |
| Cumulative as of 31 December 2023 | 2,500,547 | 13,682,072 | 2,725,636 | 68,192 | 24,133,235 | 25,753,920 |

*Application No. 39 (FB&H) is replenished in 2023, but expenses were made in 2022.

**Applications No. 45 and 46 (FB&H) will be replenished in 2024, but expenses were made in 2023.

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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 2023; 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 | 18,200,000 | - | 22,995,182 |
| Disbursed in previous years | 18,200,000 | | 22,806,560 |
| Total disbursed in 2023 | | - | |
| Cumulative disbursements | 18,200,000 | | 22,806,560 |
| Cumulative undisbursed balance as of 31 December 2023 | | - | 188,622 |
| Undisbursed balance as per World Bank Summary for December 2023 | | - | |
| Potential exchange rate | | | 188,622 |

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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 2023; 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 | 2,600,000 | | 3,454,838 |
| Disbursed in previous years | 2,599,902 | | 2,918,761 |
| Total direct payments in 2023 | - | | - |
| Total disbursements in 2023 | - | | - |
| Cumulative disbursements | 2,599,902 | | 2,918,761 |
| Calculated undisbursed balance as of 31 December 2023 | - | | 536,077 |
| Undisbursed balance as per World Bank Summary for December 2023 | - | | - |
| Potential exchange rate | | | 536,077 |

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APPENDIX C.3 Reconciliation between World Bank's Disbursement Statements in EUR according to the balance sheet as of 31 December 2023; SoE Withdrawal Schedule of IBRD Credit No. 8906BA

| | Changes in IBRD Credit (in EUR) | Exchange rate used | Changes in IBRD Credit (in EUR) |
|--|--|-------------------------------|--|
| Original amount | 27,276,989 | 1.00 | 27,276,989 |
| Disbursed in previous years | 22,855,970 | | 22,855,970 |
| Withdrawal 39 (FB&H) | 1,006,083 | | 1,006,083 |
| Withdrawal 40 (FB&H) | 606,428 | | 606,428 |
| Withdrawal 41 (FB&H) | 106,744 | | 106,744 |
| Withdrawal 42 (FB&H) | 715,208 | | 715,208 |
| Withdrawal 43 (FB&H) | 175,454 | | 175,454 |
| Withdrawal 44 (FB&H) | 288,033 | | 288,033 |
| Total disbursed in 2023 | 2,897,949 | | 2,897,949 |
| Cumulative disbursements as of 31 December 2023 | 25,753,919 | | 25,753,919 |
| Calculated undisbursed balance as of 31 December 2023 | 1,523,070 | | 1,523,070 |
| Undisbursed balance as per World Bank Summary for December 2023 | 1,523,070 | | 1,523,070 |
| Difference | - | | - |

