

Report on the Consolidated Project Financial
Statements of the

ENERGY EFFICIENCY PROJECT

of the Ministry of Finance and Treasury of Bosnia and
Herzegovina

Financed by:

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

For the year ended 31 December 2019

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

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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 building

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.

1.3 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 encounter: (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. Retroactive financing

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

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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 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, Petty cash statement, Statements of Credit withdrawals as of and for the year ended 31 December 2019, and a summary of significant accounting policies and other explanatory notes for the year then ended, financed under IDA Credit No. 5393-BA and IDA Credit No. 5538-BA.

In our opinion, the accompanying consolidated project financial statements present fairly, in all material aspects, the financial position of the Project as of 31 December 2019, and of the funds received and disbursed during the year then ended, in accordance with the cash basis of accounting based on International Public Sector Accounting Standard ("IPSAS"), as described in Note 4.1.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and "Guidelines: Annual Financial Reporting and Auditing for World Bank-Financed Activities" issued by FMSB. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the 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.

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 supporting documentation has been maintained to support claims to the World Bank for reimbursements of expenditure incurred; and all expenditure included in withdrawal applications and reimbursed against are eligible for financing under the project.

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

Nihad Fejzić, Director and Certified Auditor

Sarajevo, 8 May 2020



Ezita Imamović, Certified Auditor

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Consolidated Project Financial Statements for the year ended 31 December 2019

(all amounts in EUR, unless otherwise stated)

3. Consolidated Project Financial Statements for the year 2019

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

	Ref.	Actual 2019	Cumulative 2019	Cumulative 2018	Cumulative budget	Cumulative variance
FINANCING						
IDA Credit No. 5393 - BA	3.1.1	1,316,680	22,806,560	21,489,880	22,995,182	188,622
IDA Credit No. 5538 - BA	3.1.2	296,212	1,609,319	1,313,107	3,454,838	1,845,519
IDA Co-financing	3.1.3	107,176	1,782,523	1,675,347	-	(1,782,523)
Government contribution	3.1.4	398,255	2,130,424	1,732,169	-	(2,130,424)
Other income	3.1.5	(56)	(3)	53	-	3
TOTAL FINANCING	3.2	2,118,267	28,328,823	26,210,556	26,450,020	(1,878,803)

PROJECT EXPENDITURE

By Category

Goods, works, consultants' services and operating costs for Part 1 of the Project		2,484,297	14,957,726	12,473,429	15,899,020	941,294
Goods, works, consultants' services and operating costs for Part 2.B of the Project		317,183	11,841,303	11,524,120	10,551,000	(1,290,303)
TOTAL EXPENDITURE	3.2	2,801,480	26,799,029	23,997,549	26,450,020	(349,009)

PROJECT EXPENDITURE

By Component

Energy Efficiency investments		2,235,965	24,283,736	22,047,771	22,564,974	(1,718,762)
Support for the development of scalable financing mechanisms and capacity building		242,296	1,231,699	989,403	2,199,992	968,293
Project management and implementation		323,219	1,283,594	960,375	1,685,054	401,460
TOTAL EXPENDITURE	3.2	2,801,480	26,799,029	23,997,549	26,450,020	(349,009)

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3. Consolidated Project Financial Statements for the year 2019 (continued)

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

	Ref.	Actual 2019	Cumulative 2019	Cumulative 2018	Cumulative budget	Cumulative variance
FINANCING						
IDA Credit No. 5393 - BA					22,995,182	
Initial deposit		-	1,460,000	1,460,000	-	
Direct payments		744,638	9,725,436	8,980,798	-	
SoE replenishments		572,042	11,621,124	11,049,082	-	
TOTAL FINANCING	3.1.	1,316,680	22,806,560	21,489,880	22,995,182	188,622
PROJECT EXPENDITURE						
By Category						
Goods, works, consultants' services and operating costs for Part 1 of the Project		1,608,330	13,380,001	11,771,671	13,911,642	531,641
Goods, works, consultants' services and operating costs for Part 2.B of the Project		-	9,130,974	9,130,974	9,083,540	(47,434)
TOTAL EXPENDITURE	3.2	1,608,330	22,510,975	20,902,645	22,995,182	484,207

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3. Consolidated Project Financial Statements for the year 2019 (continued)

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

	Ref.	Actual 2019	Cumulative 2019	Cumulative 2018	Cumulative budget	Cumulative variance
FINANCING						
IDA Credit No. 5538 - BA					3,454,838	
Initial deposit		-	150,000	150,000		
Direct payments		-	-	-	-	
SoE replenishments		296,212	1,459,319	1,163,107	-	
TOTAL FINANCING	3.1.	296,212	1,609,319	1,313,107	3,454,838	1,845,519
PROJECT EXPENDITURE						
By Category						
Goods, works, consultants' services and operating costs for Part 1 of the Project		353,077	559,825	206,748	1,987,378	1,427,553
Goods, works, consultants' services and operating costs for Part 2.B of the Project		54,388	1,231,047	1,176,659	1,467,460	236,413
TOTAL EXPENDITURE	3.2	407,465	1,790,872	1,383,407	3,454,838	1,663,966

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(all amounts in EUR, unless otherwise stated)

3. Consolidated Project Financial Statements for the year 2019 (continued)

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

	Ref.	Actual 2019	Cumulative 2019	Cumulative 2018	Cumulative budget	Cumulative variance
FINANCING						
IDA Co-financing	A.3	107,176	1,782,523	1,675,347	-	(1,782,523)
TOTAL FINANCING		107,176	1,782,523	1,675,347	-	(1,782,523)
PROJECT EXPENDITURE						
By Category						
(2) Goods, works, consultants' services and operating costs for Part 2.B of the Project	A.3	262,795	1,479,282	1,216,487	-	(1,479,282)
TOTAL EXPENDITURE		262,795	1,479,282	1,216,487	-	(1,479,282)

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3. Consolidated Project Financial Statements for the year 2019 (continued)

3.1.4 Summary of sources and uses of funds under Government contribution (FB&H only)

	Ref.	Actual 2019	Cumulative 2019	Cumulative 2018	Cumulative budget	Cumulative variance
FINANCING						
VAT Reimbursement		398,255	1,783,979	1,385,724	-	(1,783,979)
Other income (Canton Sarajevo contribution)		-	82,308	82,308	-	(82,308)
Other income (Canton Hercegovačko-neretvanjski contribution)		-	264,137	264,137	-	(264,137)
TOTAL EXPENDITURE	3.1.	398,255	2,130,424	1,732,169	-	(2,130,424)
PROJECT EXPENDITURE						
By Category						
Goods, works, consultants' services, training and operating costs for Part 1 of the Project		522,890	1,017,900	495,010	-	(1,017,900)
TOTAL EXPENDITURE	3.2	522,890	1,017,900	495,010	-	(1,017,900)

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3. Consolidated Project Financial Statements for the year 2019 (continued)

3.1.5 Summary of sources and uses of funds under Other income (FB&H only)

	Ref.	Actual 2019	Cumulative 2019	Cumulative 2018	Cumulative budget	Cumulative variance
FINANCING						
Other income		(56)	(3)	53	-	3
TOTAL FINANCING	3.1.1.	(56)	(3)	53	-	3
PROJECT EXPENDITURE						
By Category						
Goods, works, consultants' services and operating costs for Part 1 of the Project		-		-	-	-
TOTAL EXPENDITURE	3.2	-		-	-	-

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3. Consolidated 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 World Bank Funding

	Ref.	31 December 2019	31 December 2018
ASSETS			
Project expenditure under IDA Credit No. 5393 BA	3.1.1	22,510,975	20,902,645
Project expenditure under IDA Credit No. 5538 BA	3.1.2	1,790,872	1,383,407
IDA Co-financing	3.1.3	1,479,282	1,216,487
Project expenditure under Government contribution	3.1.4	1,017,900	495,010
		26,799,029	23,997,549
Designated account - IDA Credit No. 5393 BA (FB&H)	A.1, A.2	113,162	462,162
Designated account – IDA Credit No. 5393 BA, 5538 BA (RS)	A.3	6	54,394
Designated sub-account – IDA Credit No. 5393 BA (RS)	A.4	-	-
Local bank account- Government (FB&H)	A.5	1,112,524	1,237,159
Local bank account – co-financing (RS)	A.6	172,030	336,149
Petty cash-IDA (FB&H)	A.7	862	433
Receivables for paid VAT – under IDA Credit No. 5393 BA (RS)	A.8	131,210	122,710
		1,529,794	2,213,007
Total assets		28,328,823	26,210,556
LIABILITIES			
IDA Credit No. 5393 BA	C.1	22,806,560	21,489,880
IDA Credit No. 5538 BA	C.2	1,609,319	1,313,107
IDA Co-financing	3.1.3	1,782,523	1,675,347
Government contribution	3.1.4	2,130,424	1,732,169
Other income	3.1.5	(3)	53
Total liabilities		28,328,823	26,210,556

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Consolidated project financial statements for the year ended 31 December 2019
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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.

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

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

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APPENDIX A.3

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 2019		54,394
Add:		
World Bank replenishments	B.1	-
Transfers from Designated sub-account - IDA Credit	A.2	-
		54,394
Deduct:		
Payments to suppliers - Expenditure under IDA Credit		31
Transfers to Designated sub-account - IDA Credit	A.2	54,357
		54,388
Ending balance 31 December 2019	3.2	6

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APPENDIX A.4

DESIGNATED SUB - 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: BAM

	Ref.	BAM	EUR
Opening balance 1 January 2019		-	-
Add:			
Transfer from Designated account – IDA Credit	A.1	106,311	54,357
		106,311	54,357
Payments to suppliers - Expenditure under IDA Credit	A.1	106,311	54,357
		106,311	54,357
Ending balance 31 December 2019	3.2	-	-

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APPENDIX A.5 LOCAL BANK ACCOUNT STATEMENT – FB&H

Account owned by: Ministry of Physical Planning

Account No.: 1027080000010242

Depository Bank: Union banka dd Sarajevo

Address: Dubrovačka br.6, Sarajevo

Related Credit: Other sources of financing (income)

Currency: BAM

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

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APPENDIX A.6

LOCAL ACCOUNT STATEMENT - RS

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

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 2019	3,2	657,452	336,149
Add:			
VAT return	A,1	109,618	56,047
		767,070	392,196
Deduct:			
VAT payments	A,1	430,607	220,166
		430,607	220,166
Ending balance 31 December 2019	3,2	336,463	172,030

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APPENDIX A.7 PETTY CASH STATEMENT – FB&H

Address: PIU, Sarajevo

Related Credit: Credit No. 5393 BA

Currency: BAM

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

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APPENDIX A.8

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 2019		240,000	122,710
Add:			
Fond za zaštitu životne sredine and Municipality Modriča replenishment		100,000	51,129
		340,000	173,839
Deduct:			
Payments to suppliers - Expenditure		83,375	42,629
Transfers to Designated sub-account -	A.2	-	-
		83,375	42,629
Ending balance 31 December 2019	3.2	256,625	131,210

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

	Initial deposit	Goods, works, consultants' services, and operating costs for Part 1 of the Project	Goods, works, consultants' services, and operating costs for Part 2.B of the Project	Total application	Total replenished
Previous period	460,000	11,836,059	9,130,974	20,967,033	21,489,880
Application 91* (FB&H)	-	-	-	-	64,388
Application 93 (FB&H)	-	136,686	-	136,686	136,686
Application 94 (FB&H)	-	61,780	-	61,780	61,780
Application 95 (FB&H)	-	63,032	-	63,032	63,032
Application 96 (FB&H)	-	13,229	-	13,229	13,229
Application 98 (FB&H)	-	208,383	-	208,383	208,383
Application 99 (FB&H)	-	141,802	-	141,802	141,802
Application 100 (FB&H)	-	55,338	-	55,338	55,338
Total direct payments in 2019	-	680,250	-	680,250	744,638
Application 92** (FB&H)	-	-	-	-	57,981
Application 97** (FB&H)	-	-	-	-	56,024
Application 101 (FB&H)	-	115,618	-	115,618	115,618
Application 102 (FB&H)	-	156,230	-	156,230	156,230
Application 103 (FB&H)	-	262,719	-	262,719	186,189
Application 104*** (FB&H)	-	109,403	-	109,403	-
Application 105*** (FB&H)	-	140,873	-	140,873	-
Application 106*** (FB&H)	-	32,642	-	32,642	-
Application 107*** (FB&H)	-	46,207	-	46,207	-
Total SoE applications in 2019	-	863,692	-	863,692	572,042
Total 2019	-	1,543,942	-	1,543,942	1,316,680
Cumulative as of 31 December 2019	460,000	13,380,001	9,130,974	22,510,975	22,806,560

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

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

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

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

	Initial deposit	Goods, works, consultants' services, and operating costs for Part 1 of the Project	Goods, works, consultants' services, and operating costs for Part 2.B of the Project	Total application	Total replenished
Previous period	204,394	206,748	1,176,659	1,383,407	1,313,107
Application 3* (FB&H)	-	-	-	-	73,451
Application 4 (FB&H)	-	69,396	-	69,396	69,396
Application 5 (FB&H)	-	70,257	-	70,257	70,257
Application 6 (FB&H)	-	83,108	-	83,108	83,108
Application 7*** (FB&H)	-	130,316	-	130,316	-
Application 19 (RS)	(1,937)	-	1,937	1,937	-
Application 20 (RS)	(40,941)	-	40,941	40,941	-
Application 21 ** (RS)	(11,516)*	-	11,510	11,510	-
Total SoE applications in 2019	(54,394)	353,077	54,388	407,465	296,212
Total 2019	(54,394)	353,077	54,388	407,465	296,212
Cumulative as of 31 December 2019	150,000	559,825	1,231,047	1,790,872	1,609,319

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

** In first column, application No. 21 is increased for bank fee in amount of 6 EUR which was charged in January 2020.

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

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

	Changes in IDA Credit (in XDR)	Exchange rate used	Changes in IDA Credit (in EUR)
Original amount	18,200,000		22,995,182
Disbursed in previous years	17,131,157		21,489,880
Application 91 (FB&H)	52,711	1.221516	64,388
Application 92 (FB&H)	47,101	1.230981	57,981
Application 93 (FB&H)	111,123	1.230046	136,686
Application 94 (FB&H)	50,188	1.230981	61,780
Application 95 (FB&H)	51,205	1.230981	63,032
Application 96 (FB&H)	10,747	1.230981	13,229
Application 97 (FB&H)	45,512	1.230981	56,024
Application 98 (FB&H)	169,282	1.230981	208,383
Application 99 (FB&H)	115,194	1.230981	141,802
Application 100 (FB&H)	44,954	1.230981	55,338
Application 101 (FB&H)	93,284	1.239422	115,618
Application 102 (FB&H)	126,402	1.235977	156,230
Application 103 (FB&H)	151,140	1.231895	186,189
Total disbursed in 2019	1,068,843		1,316,680
Cumulative disbursements	18,200,000		22,806,560
Cumulative undisbursed balance as of 31 December 2019	-		437,298
Undisbursed balance as per World Bank Summary for December 2019	-		-
Potential exchange rate loss			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 2019; SoE Withdrawal Schedule of IDA Credit No. 5538 BA

	Changes in IDA Credit (in XDR)	Exchange rate used	Changes in IDA Credit (in EUR)
Original amount	2,600,000		3,454,838
Disbursed in previous years	1,274,095		1,313,107
Application 3 (FB&H)	124,361	1.206163883	150,000
Application 4 (FB&H)	109,831	1.213654673	133,297
Application 5 (FB&H)	108,961	1.181872	128,778
Application 6 (FB&H)	122,915	1.181857	145,268
Total disbursed in 2019	239,609		296,212
Cumulative disbursements	1,513,704		1,609,319
Calculated undisbursed balance as of 31 December 2019	1,086,296		1,845,519
Undisbursed balance as per World Bank Summary for December 2019	1,086,296		1,342,640
Potential exchange rate loss			502,879