

Report on the Federation part of the Project Financial
Statements of the

**BOSNIA AND HERZEGOVINA
EMERGENCY COVID-19 PROJECT**

of the Ministry of Finance and Treasury of Bosnia and
Herzegovina

Financed by:

Loan No. 9097 – BA

For the year ended 31 December 2021

**BOSNIA AND HERZEGOVINA EMERGENCY COVID-19 PROJECT
of the Ministry of Finance and Treasury of Bosnia and Herzegovina**

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BOSNIA AND HERZEGOVINA EMERGENCY COVID-19 PROJECT

of the Ministry of Finance and Treasury of Bosnia and Herzegovina

1. Introduction

1.1 Objectives of the Project

The objective of the Project is to prevent, detect and respond to the threat posed by the COVID-19 pandemic in Bosnia and Herzegovina.

1.2. Components and activities of the Project

The Project consists of the following parts

Part A. Republika Srpska, and

Part B. Federation of Bosnia and Herzegovina

Responding to the COVID-19 Pandemic

Providing immediate support to prevent additional cases of COVID-19, limit local transmission through containment strategies and prevent affected individuals and households from falling into destitution through:

1. Strengthening health care delivery and health system's through, inter alia:
 - a) Enhancing case detection, confirmation and reporting, and contact tracing through inter alia: (i) strengthening disease surveillance systems, public health laboratories and epidemiological capacity for early detection and confirmation of cases by, inter alia, adequately equipping public health laboratories with, inter alia, diagnostic kits and reagents; (ii) combining detection of new cases with active contact tracing; (iii) supporting epidemiological investigation by, inter alia, expanding the number of public health workers trained to undertake contact tracing and enhancing collaboration with the Federal Administration for Inspection Affairs; (iv) providing on-time data and information for guiding decision-making and response and mitigation activities, by, inter alia, enhancing systems and protocols for data reporting, analysis and dissemination.
 - b) Strengthening the health system through; inter alia: (i) the provision of training and the development of guidelines for health care workers on, inter alia, identifying and treating COVID-19; appropriate use of PPE; surveillance and prevention of the spread of respiratory infections within healthcare facilities; (ii) the acquisition and distribution of PPE; (iii) the provision of medical supplies, including diagnostic kits and reagents for COVID-19; and (iv) the repurposing of health care facilities to meet the expected surge in demand for hospital beds, and intensive care beds in particular, and the establishment of specialized units in selected hospitals; establishing health facilities in non-traditional locations to meet temporarily increased needs; and (v) strengthening the medical waste management and disposal system; including the provision of hygienically correct water and basic sanitation in health facilities.

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1. Introduction (continued)

1.1 Objectives of the Project (continued)

2. (a) Providing Cash Transfers to vulnerable households adversely affected by the economic impact of the COVID-19 pandemic; (b) providing Cash Transfers and Social Services to socially vulnerable and elderly individuals with need of protection and care; (c) supporting the registration and in-take of beneficiaries in the Cash Transfer and Social Services Programs; (d) carrying out outreach and communication activities for the promotion of the Cash Transfer and Social Services Programs and of appropriate hygiene, preventive health services and COVID-19 infection prevention; and (e) acquiring PPE and hygiene products for social care institutions.

Implementation Management and Monitoring and Evaluation

Carrying out Project management activities including: (a) the carrying out of financial management and procurement requirements of the Project; (b) the monitoring and evaluation of the Project, including spot checks of the provision of Cash Transfers and social care and beneficiary surveys; and (c) if needed, the recruitment of additional staff/consultants responsible for overall administration, procurement and financial management under country specific projects.

1.3 Financing of the Project

The State of Bosnia and Herzegovina ("B&H") is the recipient of funds made available by International Bank for Reconstruction and Development, in the form of a Loan No. 9097 - BA amounting to the equivalent of EUR 33,100,000. Under the terms of a subsidiary finance agreement between B&H and Federation, funds of the equivalent of EUR 19,859,900 have been lent to Federation. Categories of cost items to be financed out of the proceeds of the Loan, the allocation of the amounts of the Credit to each category and the percentage of expenditure for cost items so to be financed in each category are as follows:

Category	Amount of the Loan allocated (in EUR)	% of expenditure to be financed (inclusive of taxes)
Goods, works, non-consulting services, consulting services, training and operating costs for Part B.1.1. and B.2 of the Project	10,103,250	100%
Goods, non-consulting services and consulting services, training, operating costs and cash transfers for Part B.1.2 of the Project	9,707,000	100%
(4) Front-end fee	49,650	Amount payable pursuant to Section 2.03 of the Agreement in accordance with Section 2.07 (b) of the General Conditions
Total – Part B of the Project	19,859,900	

Planned closing date of the Project was 30 June 2022. Project was extended and new closing date is 31 March 2023.

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

Baker Tilly Re Opinion d.o.o.

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Report on the Project Financial Statements

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Opinion

We have audited the accompanying project financial statements of the Federation part of the Bosnia and Herzegovina Emergency COVID-19 (the "Project"), which comprise of Summary of sources and uses of funds, Balance sheet, Designated account, Designated sub-accounts, Statement of loan withdrawals as of and for the year ended 31 December 2021, and a summary of significant accounting policies and other explanatory notes for the year then ended, financed under IBRD Loan No. 9097 - BA.

In our opinion, the accompanying project financial statements present fairly, in all material aspects, the financial position of the Project as of 31 December 2021, 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). 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 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

Project implementation and management unit (PIMT) with support of Accounting Department is responsible for the preparation of these project financial statements in accordance with the cash basis of accounting based on IPSAS, as described in Note 4.1., and for such internal control as Head of PIMT determines is necessary to enable the preparation of project financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, PIMT 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.

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Those charged with governance are responsible for overseeing the financial reporting process.

Responsibilities for the Audit of Financial Statements

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

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

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

Report on other requirements

In addition, with respect to the Statement of Expenditure, adequate documentation supporting Disbursement Linked indicators or Performance Based Conditions and underlying expenditures have been maintained to support claims for reimbursements of expenditure occurred, and such expenditures were eligible and incurred for the purpose intended under Loan No. 9097-BA. 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

Nihad Fejzic, Director and Certified auditor
Sarajevo, Bosnia and Herzegovina

17 May 2022



Ezita Imamović, Certified Auditor

3. Project financial statements for the year 2021

3.1 Summary of sources and uses of funds under the Loan No. 9097 – BA

	Ref.	Actual 2021	Cumulative 2021	Cumulative 2020	Cumulative budget	Cumulative variance
FINANCING						
IBRD 9097-BA					19,859,900	
Initial deposit		8,273,797	8,273,797		-	
Advance payment to UNDP*		10,427,246	10,427,246		-	
Front-end fee		-	49,650	49,650		
TOTAL FINANCING	3.1	18,701,043	18,750,693	49,650	19,859,900	1,109,207

PROJECT EXPENDITURE

By Category

(2) Goods, works, non-consulting services, consulting services, training and operating costs for Part B.1.1. and B.2 of the Project	5,561,434	5,561,434	-	10,103,250	4,541,816
(3) Goods, non-consulting services and consulting services, training, operating costs and cash transfers for Part B.1.2 of the Project	7,982,103	7,982,103	-	9,707,000	1,724,897
(4) Front-end fee	-	49,650	49,650	49,650	-
TOTAL EXPENDITURE	3.2	13,543,537	13,593,187	49,650	19,859,900
					6,266,713

PROJECT EXPENDITURE

By Component

(1) Responding to the COVID-19 Pandemic in FBiH	13,514,270	13,514,270	-	10,103,250	(3,411,020)
(2) Implementation Management and Monitoring and Evaluation	29,267	29,267	-	9,707,000	9,677,733
(3) Front-end fee	-	49,650	49,650	49,650	-
TOTAL EXPENDITURE	3.2	13,543,537	13,593,187	49,650	19,859,900
					6,266,713

* Advance payment to UNDP in amount of EUR 10,427,246 refers to Agreement for delivery of outputs COVID-19 WB loan signed in December 2020 between the Government of the Federation of BiH through its Ministry of Health of Federation of BiH and the United Nations Development Programme. Until 31 December 2021 according to Financial Progress Report UNDP has spent funds in amount of EUR 5,715,342. All documentation upon spent funds is in the possession of UNDP. Upon the finalisation of all activities and after issuing the Final Financial Statement (within 3 months of the completion date) UNDP will make available all documentation authenticating spent funds i.e. contracts, invoices.

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of the Ministry of Finance and Treasury of Bosnia and Herzegovina
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(all amounts in EUR, unless otherwise stated)

3. Project financial statements for the year 2021 (continued)

3.2 Balance sheet as of 31 December 2021 showing accumulated funds of the Project and bank balances concerning World Bank funding

	Ref.	31 December 2021	31 December 2020
ASSETS			
Project expenditure under IBRD No. 9097-BA	3.1.	13,543,537	-
Unspent funds - UNDP*	3.1.	4,711,904	-
Front-end fee		49,650	49,650
		18,305,091	49,650
Designated account IBRD No. 9097-BA	A.1	387,135	-
Designated subaccount IBRD No. 9097-BA	A.2	-	-
Designated subaccount IBRD No. 9097-BA	A.3	58,467	-
		445,602	-
Total assets		18,750,693	49,650
LIABILITIES			
IBRD Loan No. 9097-BA	C.1	18,701,043	-
Front-end fee		49,650	49,650
		18,750,693	49,650
Total liabilities		18,750,693	49,650

* As of 31 December 2021 unspent funds in the amount of EUR 4,711,904 refers to Agreement for delivery of outputs COVID-19 WB loan signed in December 2020 between the Government of the Federation of BiH through its Ministry of Health of Federation of BiH and the United Nations Development Programme. Regarding the Agreement advance payment in the amount of EUR 10,427,246 has been made to UNDP. Until 31 December 2021 according to Financial Progress Report UNDP has spent funds in amount of EUR 5,715,342. All documentation upon spent funds is in the possession of UNDP. Upon the finalisation of all activities and after issuing the Final Financial Statement (within 3 months of the completion date) UNDP will make available all documentation authenticating spent funds i.e. contracts, invoices.

Signed and authorised by:



Marina Bera, Assistant
Minister, by authorisation of
Government of the Federation
BiH



Nedim Džafo, Financial
Specialist

Sarajevo, 17 May 2022

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4. Notes to the project financial statements

4.1 Basis of preparation and accounting records

These project financial statements have been prepared in accordance with the International Public Sector Accounting Standard: "Financial Reporting under the Cash Basis of Accounting" 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 IBRD Loan are recorded on actual receipt and payment basis of accounting as per approved categories.

Project expenditure is stated at original cost on the balance sheet.

Direct payments

Direct payments concern the amounts paid directly from the credit account of the World Bank.

Statement of Expenditure (SoE)

Statements of Expenditure are used to state the expenditure under IBRD Loan during a certain period. These statements are sent to the World Bank's disbursement specialist who authorises the payment of the expenditure through the Designated account.

Currency conversions

The reporting currency is EUR. Sources and use of funds (payments to workers, institutions, suppliers and contractors, as case may be) in currencies other than EUR have been converted to EUR using the currency rate at the moment of the transaction.

Bank balances, recorded on the balance sheet at year-end, have been converted at year-end rate.

Designated account

This is the total amount of the withdrawals from the Credit account for the Project. The Credit account is in EUR.

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.

Interest on Designated account

Interest earned on the Designated account belongs to the Borrower.

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APPENDIX A.1 DESIGNATED ACCOUNT STATEMENT

Account owned by: Ministry of Finance and Treasury of Bosnia and Herzegovina
Account No.: 53001201-412289
Depository Bank: Intesa Sanpaolo bank d.d. BiH
Address: Obala Kulina bana 9a
Related Credit: IBRD No. 9097-BA
Currency: EUR

		2021
	Ref.	EUR
Opening balance 1 January	3.2	-
Add:		
IBRD replenishments	B	8,273,797
		<u>8,273,797</u>
Deduct:		
Payments of expenditures during the period	A.2	129
Funds transferred to subaccounts	A.3	7,886,533
		<u>7,886,662</u>
Ending balance 31 December	3.2	387,135

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APPENDIX A.2

DESIGNATED SUB-ACCOUNT STATEMENT - BAM

Account owned by: Ministry of Finance and Treasury of Bosnia and Herzegovina
Account No.: 1549212014087140
Depository Bank: Intesa Sanpaolo bank d.d. BiH
Address: Obala Kulina bana 9a
Related Credit: IBRD No. 9097-BA
Currency: BAM

		2021	2021
	Ref.	BAM	EUR
Opening balance 1 January	3.2	-	-
Add:			
Funds transferred from designated account	A.1	46,858	23,958
		46,858	23,958
Deduct:			
Payments of expenditures during the period		46,858	23,958
		46,858	23,958
Ending balance 31 December	3.2	-	-

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APPENDIX A.3

DESIGNATED SUB-ACCOUNT STATEMENT - BAM

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

Account No.: 1549212014087237

Depository Bank: Intesa Sanpaolo bank d.d. BiH

Address: Obala Kulina bana 9a

Related Credit: IBRD No. 9097-BA

Currency: BAM

		2021	2021
		Ref.	BAM
			EUR
Opening balance 1 January	3.2	-	-
Add:			
Funds transferred from designated account	A.1	15,377,860	7,862,575
		<u>15,377,860</u>	<u>7,862,575</u>
Deduct:			
Payments of expenditures during the period		15,375,098	7,861,163
Funds returned to designated sub-account due to wrong payments		(111,590)	(57,055)
Payments of expenditures during the period after return of wrong payments		<u>15,263,508</u>	<u>7,804,108</u>
Ending balance 31 December	3.2	114,352	58,467

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APPENDIX B SoE Withdrawal Schedule of IBRD Loan No. 9097 – BA

	Initial deposit	Goods, works, non-consulting services, consulting services, training and operating costs for Part B.1.1. and B.2 of the Project	Goods, non-consulting services and consulting services, training, operating costs and cash transfers for Part B.1.2 of the Project	Front-end fee	Total application	Total disbursed
Previous periods	-	-	-	49,650	49,650	49,650
Application 1/F*	-	5,535,496	179,846	-	5,715,342	10,427,246
Total advance payments	-	5,535,496	179,846	-	5,715,342	10,427,246
Application 2/F	8,273,797	-	-	-	-	8,273,797
Application 3/F	(7,828,195)	25,938	7,802,257	-	7,828,195	-
Total SoE applications	445,602	25,938	7,802,257	-	7,828,195	8,273,797
Total 2021	445,602	5,561,434	7,982,103	-	13,543,537	18,701,043
Cumulative 2021	445,602	5,561,434	7,982,103	49,650	13,593,187	18,750,693

* Advance payment to UNDP in amount of EUR 10,427,246 refers to Agreement for delivery of outputs COVID-19 WB loan signed in December 2020 between the Government of the Federation of BiH through its Ministry of Health of Federation of BiH and the United Nations Development Programme. Until 31 December 2021 according to Financial Progress Report UNDP has spent funds in amount of EUR 5,715,342. All documentation upon spent funds is in the possession of UNDP. Upon the finalisation of all activities and after issuing the Final Financial Statement (within 3 months of the completion date) UNDP will make available all documentation authenticating spent funds i.e. contracts, invoices.

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**APPENDIX C Reconciliation between World Bank's disbursement statements in EUR and
IBRD Loan account in EUR according to the balance sheet as of 31
December 2021; SoE Withdrawal Schedule of Loan No. 9097 – BA**

	Changes in IBRD No. 9097-BA (in EUR)
Original amount	19,859,900
Disbursed in previous years – Front-end fee	49,650
Withdrawal 1	10,427,246
Withdrawal 2	8,273,797
Total disbursed in 2021	18,701,043
Cumulative disbursements	18,750,693
Calculated undisbursed balance as of 31 December 2021	1,109,207
Undisbursed balance as per World Bank Summary for December 2021	1,109,207