

**Report on the Project Financial Statements of the
Federation Part**

EMPLOYMENT SUPPORT PROJECT

of the Ministry of Finance and Treasury of Bosnia and Herzegovina

Financed by:
- IBRD 8687

For the period ended 31 July 2022

EMPLOYMENT SUPPORT PROJECT
of the Ministry of Finance and Treasury of Bosnia and Herzegovina

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**EMPLOYMENT SUPPORT PROJECT
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1. Introduction

1.1 Objectives of the Project

The State of Bosnia and Herzegovina is borrower of the International Bank for Reconstruction and development (IBRD) Loan No. 8687-BA amounting to the EUR 50,000,000. Under the terms of a subsidiary finance agreement between B&H and FB&H, funds of the equivalent of EUR 29,000,000 have been lent to FB&H.

The objective of the Project is to increase formal private sector employment among targeted groups of registered job seekers.

1.2 Components and activities of the Project

The Project is comprised of the following two components:

Component 1: Support for Employment Promotion

1. Implementation of the Federation's Active Labour Market Programs, including inter alia, by providing one of the job training, developing skills and providing grants to unemployed persons for Self-Employment.
2. Implementation by the Federation of a range of intermediation measures to promote employment including by providing:
 - a. services for job seekers by improving in-take registration processes, offering counselling services, developing Individual Action Plans and monitoring progress on placement of jobseekers; and
 - b. services for employers by promoting better outreach and communication and providing human resources and automated services.

Component 2: Support for Management Systems, Monitoring and Communications

Strengthening the capacity of the Federation PES to monitor ALMP's and employment services by:

1. Upgrading its information technology system to carry out a range of services including enabling data exchange amongst employment bureaus and other institutions offering online services, monitoring online services offered to job seekers and employers, monitoring branch/local office's performance and monitoring and disseminating labour market trends; and
2. Preparing and implementing an effective communication strategy targeting jobseekers, employers and policy-makers.

During 2021 according to reallocation of unallocated funds under Part A of the Project to Component 1 and reallocation from Component 2 to Component 1 the new Component 3 is established:

Component 3: Support for Employment Promotion DLI 5.1

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1.3 Financing of the Project

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:

Category	Amount of the Loan allocated (in EUR)	% of expenditures to be financed (inclusive of taxes)
(1) Eligible Expenditure Programs under Parts A.1 (1) and A.1 (2) of the Project	26,400,000	100% of expenditures that are covered under Section IV.B.1 (a) of the Schedule and 50% for others
(2) Goods, non-consulting services, consultants' services, Training, and Incremental Operating Costs for Part A.2 of the Project	1,300,000	100%
(3) Unallocated under Part A of the Project	1,227,500	100%
(4) Front-end Fee	72,500	Amount payable pursuant to Section 2.03 of Loan Agreement in accordance with Section 2.07 (b) of the General Conditions
Subtotal	29,000,000	

In 2021 the unallocated funds under Part A of the Project in amount of 1,227,500 EUR and 891,400 EUR from Category 2 are reallocated to Category 1 - Eligible Expenditure Programs under Parts A.1 (1) and A.1 (2) of the Project for the purpose of fulfilment of the new component DLI 5.1 in amount of 2,118,900 EUR. After reallocation financing of the Project can be presented as follows:

Category	Amount of the Loan allocated (in EUR)	% of expenditures to be financed (inclusive of taxes)
(1) Eligible Expenditure Programs under Parts A.1 (1) and A.1 (2) of the Project	28,518,900	100% of expenditures that are covered under Section IV.B.1 (a) of the Schedule and 50% for others
(2) Goods, non-consulting services, consultants' services, Training, and Incremental Operating Costs for Part A.2 of the Project	408,600	100%
(3) Front-end Fee	72,500	Amount payable pursuant to Section 2.03 of Loan Agreement in accordance with Section 2.07 (b) of the General Conditions
Subtotal	29,000,000	

IBRD Loan No. 8687-BA become effective on 26 January 2018. Planned closing date was 1 October 2021. Project was extended and new closing date is 1 April 2022.

Baker Tilly Re Opinion d.o.o.

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Independent Auditor's Report

To the State of Bosnia and Herzegovina,
Ministry of Finance and Treasury
Attn. of Minister of Finance and Treasury H.E. Mr. Vjekoslav Bevanda

Report on the Project Financial Statements

Opinion

We have audited the accompanying project financial statements of the Federation part of the Employment Support Project (the "Project"), which comprise of Summary of sources and uses of funds, Balance sheet, Designated account, Statements of loan withdrawals as of and for the period ended 31 July 2022, and a summary of significant accounting policies and other explanatory notes for the period, financed under IBRD Loan 8687.

In our opinion, the accompanying project financial statements present fairly, in all material aspects, the financial position of the Project as of 31 July 2022, 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 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 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., 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 project financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, management is responsible for assessing the Project's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Project or to cease operations or has no realistic alternative but to do so. Those charged with governance are responsible for overseeing the financial reporting process.

Responsibilities for the Audit of Financial Statements

JIB: 4200960550009 · PDV: 200960550009 · Raiffeisen Bank d.d. BiH: 1610000045270008

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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 has been maintained to support claims for reimbursements of expenditures occurred and such expenditure were eligible and incurred for the purpose intended under IBRD 8687. 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, 5. December 2022

Aldijana Gabela, Certified Auditor

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Project financial statements for the period ended 31 July 2022

(all amounts in EUR, unless otherwise stated)

3. Project financial statements for the period ended 31 July 2022

3.1 Summary of Sources and Uses of Funds under the IBRD 8687

	Ref.	Actual 2022	Cumulative 2022	Cumulative 2021	Cumulative budget	Cumulative variance
FINANCING						
IBRD 8687		-	-	-	29,000,000	-
Initial deposit		-	100,000	100,000	-	-
Direct payments		-	72,500	72,500	-	-
Reimbursement		3,900,000	28,518,000	24,618,000	-	-
SOE replenishments		-	251,264	251,264	-	-
Interest		-	4	4	-	-
Funds returned		(38,018)	(38,018)			
TOTAL FINANCING –						
BEFORE						
RECONCILIATION WITH						
IBRD	3.1	<u>3,861,982</u>	<u>28,903,750</u>	<u>25,041,768</u>	<u>29,000,000</u>	<u>96,250</u>
PROJECT EXPENDITURE						
<i>By Category</i>						
1. Eligible Expenditure						
Programs under Parts A.1						
(1) and A.1(2)		3,900,000	28,518,000	24,618,000	28,518,900	900
2. G, nCS, CS, TR, IOC						
Part A.2		21,328	312,796	291,468	408,600	95,350
Front End Fee		-	72,500	72,500	72,500	-
TOTAL EXPENDITURE	3.2.	<u>3,921,328</u>	<u>28,903,296</u>	<u>24,981,968</u>	<u>29,000,000</u>	<u>96,250</u>
PROJECT EXPENDITURE						
<i>By Component</i>						
1. Support for Employment						
Promotion		3,900,000	28,518,000	24,618,000	28,518,900	900
2. Supporting Monitoring, Management Systems, and Communications						
		21,328	312,796	291,468	408,600	95,350
3. Front End Fee		-	72,500	72,500	72,500	-
TOTAL EXPENDITURE		<u>3,921,328</u>	<u>28,903,296</u>	<u>24,981,968</u>	<u>29,000,000</u>	<u>96,250</u>

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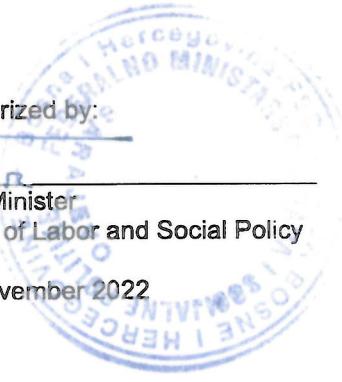
(all amounts in EUR, unless otherwise stated)

3. Project financial statements for the year 2022 (continued)

3.2 Balance sheet as of 31 July 2022 showing accumulated funds of the Project and bank balances concerning IBRD financing

	Ref.	31 July 2022	31 December 2021
ASSETS			
Project expenditure under IBRD 8687	3.1.	28,903,296	24,981,968
		<u>28,903,296</u>	<u>24,981,968</u>
Designated account - IBRD 8687	A.1	-	59,704
Petty cash	A.2	-	96
Remaining funds to be returned		<u>454</u>	<u>-</u>
		<u>454</u>	<u>59,800</u>
Total assets		28,903,750	25,041,768
LIABILITIES			
IBRD 8687	3.1.	28,903,750	25,041,768
Total liabilities		28,903,750	25,041,768

Signed and authorized by:


Vesko Drljača, Minister
Federal Ministry of Labor and Social Policy

Sarajevo, 29 November 2022


Belma Djonko, Financial Specialist

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Project financial statements for the period ended 31 July 2022

(all amounts in EUR, unless otherwise stated)

4. Notes to the project financial statements

4.1 Basis of preparation and accounting records

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

4.2 Accounting policies

The Project's fiscal year is 1 January to 31 December for the recording of all transactions.

Cash basis of accounting

All receipts and expenses under 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 IBRD Loan account.

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 IBRD disbursement specialist who authorizes the payment of the expenditure through the Designated account.

Currency conversions

The reporting currency is Euro (EUR). Sources and use of funds 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 IBRD Loan account for the Project. IBRD Loan account is in EUR.

Interest on Designated accounts

Interest earned on the Designated accounts belongs to the Borrower.

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(all amounts in EUR, unless otherwise stated)

APPENDIX A.1

DESIGNATED ACCOUNT STATEMENT

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

Account No.: BA393387304805265538

Depository Bank: Unicredit bank d.d.

Address: Kardinala Stepinca bb, Mostar

Related Credit: IBRD 8687

Currency: EUR

	Ref.	EUR
Opening balance 1 January 2022	3.2	59,700
Add:		
IBRD Replenishments	3.1.1.	-
Interest		4
		4
Deduct:		
Payments of expenditures during the period		21,686
Return of the funds to the IBRD*		38,018
		59,704
Ending balance 31 July 2022	3.2	-

**Funds returned to the IBRD WASHINGTON DC in amount of 38,018 EUR in accordance with international payment order submitted on 15 July 2022.*

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(all amounts in EUR, unless otherwise stated)

APPENDIX A.2

PETTY CASH

Account owned by: Ministry of Finance and Treasury of Bosnia and Herzegovina
Account No.: BA393387304805265538
Related Credit: IBRD 8687
Currency: BAM

	Ref.	EUR
Opening balance 1 January 2022	3.2	<u>96</u>
Add:		
Transfer from designated account		-
		-
Deduct:		
Payments of expenditures during the period		<u>96</u>
		<u>96</u>
Ending balance 31 July 2022	3.2	-

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APPENDIX B **SoE Withdrawal Schedule of IBRD 8687 for the period ended 31 July 2022**

	Initial deposit	Eligible Expenditure Programs under Parts A1. (1) and A.1(2)	G, nCS, CS, TR, IOC Part A.2	Front End Fee	Total application	Total replenished
Previous years						
Total Direct payments 2022	100,000	24,618,000	291,468	72,500	24,981,968	25,041,764
Application No. 18/F	-	-	-	-	-	-
Application No. 21/F	-	1,800,000	-	-	1,800,000	1,800,000
Application No. 23F	-	1,100,000	-	-	1,100,000	1,100,000
Total Reimbursements 2022	-	3,900,000	-	-	3,900,000	3,900,000
Application No. 19/F*	-	-	-	-	-	-
Application No. 22/F	-	-	21,328	-	21,328	-
Total SoE application 2022	-	-	21,328	-	21,328	-
Cumulative 2022	-	3,900,000	21,328	-	3,921,328	3,900,000
Cumulative 31 July 2022	100,000	28,518,000	312,796*	72,500	28,903,296*	28,941,764**

*Application number 19/F in total of 40,204 EUR refers to expenses made in 2021, submitted for approval during the year 2022.

**Difference in amount of EUR 38,018, corrected for EUR 4 of interest income, to the total borrowed amount relates to return of the funds to the borrower.

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(all amounts in EUR, unless otherwise stated)

APPENDIX C

**Reconciliation between IBRD's Historic Transaction Report and
IBRD Loan account in EUR according to the to the balance sheet as of
31 July 2022; SoE Withdrawal Schedule of IBRD 8687**

	Changes in IBRD Loan (in EUR)
Original amount	29,000,000
Front end fee	72,500
Withdrawal 1	100,000
Withdrawal 2	5,100,000
Withdrawal 3	<u>39,800</u>
Total disbursed in 2018	<u>5,312,300</u>
Withdrawal 4	4,500,000
Withdrawal 5	29,765
Withdrawal 6	2,500,000
Withdrawal 7	23,239
Withdrawal 8	<u>28,940</u>
Total disbursed in 2019	<u>7,081,944</u>
Withdrawal 9	3,700,000
Withdrawal 10	26,076
Withdrawal 11	24,375
Withdrawal 12	3,700,000
Withdrawal 13	<u>20,549</u>
Total disbursed in 2020	<u>7,471,000</u>
Withdrawal 14	19,002
Withdrawal 15	3,118,000
Withdrawal 16	2,000,000
Withdrawal 17	<u>39,518</u>
Total disbursed in 2021	<u>5,176,520</u>
Withdrawal 18	1,800,000
Withdrawal 21	1,100,000
Withdrawal 23	<u>1,000,000</u>
	<u>3,900,000</u>

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(all amounts in EUR, unless otherwise stated)

Cumulative disbursements	<u>28,941,764</u>
Calculated undisbursed balance as of 31 July 2022	<u>58,236</u>
Undisbursed balance as per IBRD's Historic Transaction Report	<u>58,236</u>
Difference	<u>-</u>