

Report on the Republika Srpska part of the
Project Financial Statements of the

**THE WEST BALKANS DRINA RIVER BASIN
MANAGEMENT**

of the Ministry of Finance and Treasury of Bosnia and
Herzegovina
Financed by:

- GEF Trust Fund Grant No. TF0A2317
- GEF SCC Grant No. TF0A2320

For the year ended 31 December 2020

THE WEST BALKANS DRINA RIVER BASIN MANAGEMENT
of the Ministry of Finance and Treasury of Bosnia and Herzegovina

CONTENTS

1	Introduction	1
2	Independent Auditor's Report	4
3	Project financial statements for the year 2020	7
4	Notes to the project financial statements	9

APPENDICES

A.1	Designated account statement - GEF Grant	10
B	SoE Withdrawal Schedule of GEF Grant TF0A2317 and SCC Grant TF0A2320	11
	Reconciliation between World Bank's disbursement statements in USD and Grant Credit	
C	account in USD according to the balance sheet	12

1. Introduction

1.1 Objectives of the Project

The objective of the Project is to improve mechanisms and capacity of the Project Countries to plan and manage the transboundary Drina River basin, incorporating climate change adaption.

1.2 Parts and activities of the Project

The Project is comprised of the following parts:

Part 1: Multi-state Cooperation in Transboundary Drina River Basin Management

- A Development of a Strategic Action Program ("SAP") agreed among the Project Countries, including both Entities in BH, for mainstreaming transboundary integrated water resource management in the DRB and climate change adaptation planning at state and Entity levels through *inter alia*:
 - (i) Preparation of a DRB SAP, based on an in-depth transboundary diagnostic and analysis.
 - (ii) Preparation of hydraulic and hydrological models for the DRB with multi – purpose reservoir operation optimization.
 - (iii) Preparation of a DRB water resources study.
 - (iv) Preparation of a DRB pollution analysis.

- B Institutional development and capacity building to support cooperative transboundary management of the DRB by the Project Countries through, *inter alia*:
 - (i) Provision of support to the Drina Task Force and stakeholders to coordinate DRB activities.
 - (ii) Provision of support for the preparation of national, Entity and local policies and regulatory reforms to facilitate international DRB management.
 - (iii) Participation in GEF: TW-LEARN activities.

Part 2: Pilot Investments for Integrated ORB Management Including Flood and Drought Management and Climate Change Resilience

- A Strengthening capacity for climate change resilience in order to better prepare for threats resulting from floods and droughts while making optimal use of the environmental DRB assets and engaging local communities, through *inter alia*:
 - (i) Strengthening of hydro-meteorological services through equipment modernization, including of the hydro-meteorological observing system.
 - (ii) Development of protocols to improve hydro-meteorological data exchange among the Project Countries including, identifying and resolving issues on data harmonization during Project implementation and development of protocols for data exchange.

THE WEST BALKANS DRINA RIVER BASIN MANAGEMENT
of the Ministry of Finance and Treasury of Bosnia and Herzegovina

1. Introduction (continued)

1.2 Parts and activities of the Project (continued)

- (iii) Carrying out of a broad public awareness program in DRB to: increase public awareness about the objectives of, and activities under, the Project; and engage the basin communities in more active partnership.
- (iv) Carrying out a Small Grant Program under which Small Grants, financed out of the proceeds of the Grant, will be provided to Beneficiaries to carry out investment sub-projects that demonstrate innovative and low cost approaches to economic development and which contribute, *inter alia*, to water pollution control and conservation, all in accordance with the Project Operations Manual.
- (v) Provision of support for flood and drought preparedness measures and enhanced early warning systems.

B. Supporting pilot investments that reduce negative climate change impacts in all three riparian Project Countries, including investments for: improved flood protection measures along the Drina River and its tributaries; improved ground water resources monitoring; improved hydro-meteorological forecasting; improved soil condition monitoring; establishment of reliable discharge rating curves; and improved water quality.

Part 3: Project Management and Monitoring and Evaluation

Provision of support for Project management, monitoring, evaluation and auditing, including financing Operating Costs.

THE WEST BALKANS DRINA RIVER BASIN MANAGEMENT
of the Ministry of Finance and Treasury of Bosnia and Herzegovina

1. Introduction (continued)

1.3 Financing of the Project:

The following table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Grant ("Category"), the allocations of the amounts of the Grant to each Category and the percentage of expenditures to be financed for Eligible Expenditures in each Category:

Category	Amount of the GEF Portion of the Grant Allocated (expressed in USD)	Amount of the SCCF Portion of the Grant Allocated (expressed in USD)	Percentage of Expenditures to be Financed (inclusive of Taxes)
(4) Goods, works, non- consulting services, consultants' service (including for audits under the Project), Training and Operating Costs under the RS Respective Parts of the Project except for Small Grants.	280,000	725,000	100,00%
(5) Small Grants provided by RS under Part 2.A (iv) of the Project.	62,254	62,621	100% of Small Grants disbursed
Subtotal	342,254	787,621	

GEF Grant became effective on 11 May 2017. Planned closing date was 31 October 2020, but the extension of closing date is till 30 April 2021.

Baker Tilly Re Opinion d.o.o.
Grbavička 4
71000 Sarajevo
Bosna i Hercegovina

T: +387 (0) 33 552 150
F: +387 (0) 33 552 152

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 H.E. Mr. Vjekoslav Bevanda

Report on the Project Financial Statements

Opinion

We have audited the accompanying project financial statements of the Republika Srpska part of the West Balkans Drina River Basin Management Project (the "Project"), which comprise of Summary of sources and uses of funds, Balance sheet, Designated account, Statement of loan and grant withdrawals as of and for the year ended 31 December 2020, and a summary of significant accounting policies and other explanatory notes for the year then ended, financed under GEF Trust Fund Grant No. TF0A2317 and GEF SCC Grant No. TF0A2320.

In our opinion, the accompanying project financial statements present fairly, in all material aspects, the financial position of the Project as of 31 December 2020, 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

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

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

Responsibilities for the Audit of Financial Statements

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

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

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

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

Report on other requirements

In addition, with respect to the 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 GEF Trust Fund Grant No. TF0A2317 and GEF SCC Grant No. TF0A2320. 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 Fejzić, Director and Certified auditor

Sarajevo, Bosnia and Herzegovina

2 March 2021



Ezita Imamović, Certified Auditor

THE WEST BALKANS DRINA RIVER BASIN MANAGEMENT
of the Ministry of Finance and Treasury of Bosnia and Herzegovina
Project financial statements for the year ended 31 December 2020

(all amounts in USD, unless otherwise stated)

3. Project financial statements for the year 2020

3.1 Summary of sources and uses of funds under the GEF Grant Agreement TF0A2317& SCC Grant TF0A2320

	Ref.	Actual 2020	Cumulative 2020	Cumulative 2019	Cumulative budget	Cumulative variance
FINANCING						
<i>GEF Trust Fund Grant</i>						
TF0A2317		-	-	-	342,254	
GEF SCC Grant TF0A2320		-	-	-	787,621	
Initial deposit		-	200,000	200,000		
Direct payments		-	-	-		
SoE replenishments		314,174	314,174	-		
TOTAL FINANCING	3.1	314,174	514,174	200,000	1,129,875	615,701
PROJECT EXPENDITURE						
<i>By Category</i>						
Goods, works, non-consulting services, consultants' service (including for audits under the Project), Training and Operating Costs under the RS Respective Parts of the Project except for Small Grants.		287,285	298,825	11,540	1,005,000	706,175
Small Grants provided by RS under Part 2.A (iv) of the Project.		22,179	22,179	-	124,875	102,696
TOTAL EXPENDITURE	3.2	309,464	321,004	11,540	1,129,875	808,871
PROJECT EXPENDITURE						
<i>By Component</i>						
Multi-state Cooperation in Trans boundary Drina River Basin Management		-	-	-	-	-
Pilot Investments for Integrated ORB		-	-	-	-	-
Management Including Flood and Drought		-	-	-	-	-
Management and Climate Change Resilience		279,041	279,041	-	925,000	645,959
Project Management and Monitoring and Evaluation		30,423	41,983	11,540	204,875	162,912
TOTAL EXPENDITURE	3.2	309,464	321,004	11,540	1,129,875	808,871

THE WEST BALKANS DRINA RIVER BASIN MANAGEMENT
of the Ministry of Finance and Treasury of Bosnia and Herzegovina
Project financial statements for the year ended 31 December 2020

(all amounts in USD, unless otherwise stated)

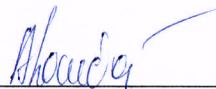
3. Project financial statements for the year 2020 (continued)

3.2 Balance sheet as of 31 December 2020 showing accumulated funds of the Project and bank balances concerning World Bank funding

	Ref.	31 December 2020	31 December 2019
ASSETS			
Project expenditure under Grant	3.1.1	321,004	11,540
Designated account	A.1	193,170	188,460
Total assets		514,174	200,000
LIABILITIES			
GEF Grant	C	514,174	200,000
Total liabilities		514,174	200,000

Signed and authorised by:


Mr Stefan Mitrović
APCU Director


Anđelka Kovačević
Accountant

Banja Luka, 2.3.2021.

THE WEST BALKANS DRINA RIVER BASIN MANAGEMENT
of the Ministry of Finance and Treasury of Bosnia and Herzegovina
Project financial statements for the year ended 31 December 2020

(all amounts in USD, 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 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 GEF Grant 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 Grant account of the World Bank.

Statement of Expenditure (SoE)

Statements of Expenditure are used to state the expenditure under GEF Grant 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 USD. Sources and use of funds (payments to suppliers and contractors) in currencies other than USD have been converted to USD 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 Grant account for the Project. The Grant account is in USD.

Interest on Designated account

Interest earned on the Designated account belongs to the Borrower.

THE WEST BALKANS DRINA RIVER BASIN MANAGEMENT
of the Ministry of Finance and Treasury of Bosnia and Herzegovina
Project financial statements for the year ended 31 December 2020

(all amounts in USD, unless otherwise stated)

APPENDIX A.1

DESIGNATED ACCOUNT STATEMENT

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

Account No.: 5672410000729885

Depository Bank: Sberbank a.d. Banja Luka

Address: Jevrejska 71, Banja Luka

Related Credit: GEF TF0A2317 and SCCF TF0A2320

Currency: USD

	Ref.	USD
Opening balance 1 January 2020	3.2	188,460
Add:		
World Bank replenishments	B	314,174
		502,634
Deduct:		
Payments to suppliers - Expenditure under GEF Grant		309,464
		309,464
Ending balance 31 December 2020	3.2	193,170

THE WEST BALKANS DRINA RIVER BASIN MANAGEMENT
of the Ministry of Finance and Treasury of Bosnia and Herzegovina
Project financial statements for the year ended 31 December 2020

(all amounts in USD, unless otherwise stated)

APPENDIX B SoE Withdrawal Schedule of GEF Grant TF0A2317 andSCCGrant TF0A2320

	Initial deposit	Goods, works, non-consulting services, consultants' service (including for audits under the Project), Training and Operating Costs under the RS Respective Parts of the Project except for Small Grants	Small Grants provided by RS under Part 2.A (iv) of the Project	Total application	Total replenished
Previous period	200,000	11,540	-	11,540	200,000
Application 02*					
TF0A2317	-	9,950	-	9,950	21,485
Application 02**					
TF0A2320	-	42,767	-	42,767	42,772
Application 03					
TF0A2317	-	45,621	-	45,621	45,621
Application 03					
TF0A2320	-	65,346	-	65,346	65,346
Application 04					
TF0A2317	-	7,023	22,179	29,202	29,202
Application 05					
TF0A2317	-	44,943	-	44,943	44,943
Application 04					
TF0A2320	-	64,805	-	64,805	64,805
Application 06***					
TF0A2317	-	4,790	-	4,790	-
Application 07****					
TF0A2320	-	2,040	-	2,040	-
Total SoE applications	-	287,285	22,179	309,464	314,174
Total 2020	-	287,285	22,179	309,464	314,174
As of 31 December 2020	200,000	298,825	22,179	321,004	514,174

* Application No. 02 TF0A2317 was replenished in 2020, but expenses were made in 2019 in amount of USD 11,535

** Application No. 02 TF0A2320 was replenished in 2020, but expenses were made in 2019 in amount of USD 5.

*** Application 06 TF0A2317 will be replenished in 2021, but expenses were made in 2020.

****Application 07 TF0A2320 will be replenished in 2021, but expenses were made in 2020.

THE WEST BALKANS DRINA RIVER BASIN MANAGEMENT
of the Ministry of Finance and Treasury of Bosnia and Herzegovina
 Project financial statements for the year ended 31 December 2020

(all amounts in USD, unless otherwise stated)

**APPENDIX C Reconciliation between World Bank's disbursement statements in USD and
 Grant Credit account in USD according to the balance sheet; SoE
 Withdrawal Schedule of GEF Grant TF0A2317&SCC Grant TF 0A2320**

	Changes in GEF Grant (in USD)
Original amount	1,129,875
Disbursed in previous period	200,000
Withdrawal 02 TF0A2317	21,485
Withdrawal 02 TF0A2320	42,772
Withdrawal 03 TF0A2317	45,621
Withdrawal 03 TF0A2320	65,346
Withdrawal 04 TF0A2317	29,202
Withdrawal 05 TF0A2317	44,943
Withdrawal 04 TF0A2320	64,805
Total disbursed in 2020	314,174
Cumulative disbursements	514,174
Calculated undisbursed balance as of 31 December 2020	615,701
Undisbursed balance as per World Bank Summary for December 2020	615,701