

Report on the Federation Part of the 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 2018

**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 CO<sub>2</sub> 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 in 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 10.92 million, and Portion B of the Credit (Credit 5538-BA) XDR 1.56 million.

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%
<b>Total</b>	<b>18,200,000</b>	<b>2,600,000</b>	

IDA blend-term credit No. 5393 BA and 5538 BA became effective on 27<sup>th</sup> of May 2015. Planned closing date was 30 June 2018.

**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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## **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 Energy Efficiency Project (the "Project"), which comprise of Summary of sources and uses of funds, Balance sheet, Designated account statement, local bank account statement, Petty cash statement, Statements of Credit withdrawals as of and for the year ended 31 December 2018, 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 project financial statements present fairly, in all material aspects, the financial position of the Project as of 31 December 2018, 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 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**

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 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, 3 June 2019



Ema Sinanović, Certified Auditor

**ENERGY EFFICIENCY PROJECT**  
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Project financial statements for the year ended 31 December 2018

*(all amounts in EUR, unless otherwise stated)*

**3. Project financial statements for the year 2018**

**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 2018	Cumulative 2018	Cumulative 2017	Cumulative budget	Cumulative variance
<b>FINANCING</b>						
IDA Credit No. 5393 - BA	3.1.1	3,707,940	12,157,664	8,449,724	13,911,642	1,753,978
IDA Credit No. 5538 - BA	3.1.2	283,297	283,297	-	1,987,378	1,704,081
Government contribution	3.1.3	656,075	1,732,169	1,076,094	-	(1,732,169)
Other income	3.1.4	29	53	24	-	(53)
<b>TOTAL FINANCING</b>	<b>3.2</b>	<b>4,647,341</b>	<b>14,173,183</b>	<b>9,525,842</b>	<b>15,899,020</b>	<b>1,725,837</b>
<b>PROJECT EXPENDITURE</b>						
<b>By Category</b>						
Goods, works, consultants' services and operating costs for Part 1 of the Project		4,028,547	12,473,429	8,444,882	15,899,020	3,425,591
<b>TOTAL EXPENDITURE</b>	<b>3.2</b>	<b>4,028,547</b>	<b>12,473,429</b>	<b>8,444,882</b>	<b>15,899,020</b>	<b>3,425,591</b>
<b>PROJECT EXPENDITURE</b>						
<b>By Component</b>						
Energy Efficiency investments		3,632,363	11,369,201	7,736,838	13,596,974	2,227,773
Support for the development of scalable financing mechanisms and capacity building		219,244	552,998	333,754	1,250,392	697,394
Project management and implementation		176,940	551,230	374,290	1,051,654	500,424
<b>TOTAL EXPENDITURE</b>	<b>3.2</b>	<b>4,028,547</b>	<b>12,473,429</b>	<b>8,444,882</b>	<b>15,800,020</b>	<b>3,425,591</b>



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Project financial statements for the year ended 31 December 2018

(all amounts in EUR, unless otherwise stated)

**3. Project financial statements for the year 2018 (continuing)**

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

	Ref.	Actual 2018	Cumulative 2018	Cumulative 2017	Cumulative budget	Cumulative variance
<b>FINANCING</b>						
IDA Credit No.5393 - BA					13,911,642	
Initial deposit		-	460,000	460,000	-	
Direct payments		2,814,147	7,758,287	4,944,140	-	
SoE replenishments		893,793	3,939,377	3,045,584	-	
<b>TOTAL FINANCING</b>	3.1.	<b>3,707,940</b>	<b>12,157,664</b>	<b>8,449,724</b>	<b>13,911,642</b>	<b>1,753,978</b>
<b>PROJECT EXPENDITURE</b>						
<b>By Category</b>						
Goods, works, consultants' services and operating costs for Part 1 of the Project		3,478,314	11,771,671	8,293,357	13,911,642	2,139,971
<b>TOTAL EXPENDITURE</b>	3.2	<b>3,478,314</b>	<b>11,771,671</b>	<b>8,293,357</b>	<b>13,911,642</b>	<b>2,139,971</b>

**ENERGY EFFICIENCY PROJECT**  
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Project financial statements for the year ended 31 December 2018

(all amounts in EUR, unless otherwise stated)

**3. Project financial statements for the year 2018 (continuing)**

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

	Ref.	Actual 2018	Cumulative 2018	Cumulative 2017	Cumulative budget	Cumulative variance
<b>FINANCING</b>						
IDA Credit No.5538 - BA					1,987,378	
Initial deposit		150,000	150,000	-		
Direct payments		-	-	-	-	
SoE replenishments		133,297	133,297	-	-	
<b>TOTAL FINANCING</b>	3.1.	<b>283,297</b>	<b>283,297</b>	-	<b>1,987,378</b>	<b>1,704,081</b>
<b>PROJECT EXPENDITURE</b>						
<b>By Category</b>						
Goods, works, consultants' services and operating costs for Part 1 of the Project		206,748	206,748	-	1,987,378	1,780,630
<b>TOTAL EXPENDITURE</b>	3.2	<b>206,748</b>	<b>206,748</b>	-	<b>1,987,378</b>	<b>1,780,630</b>



**ENERGY EFFICIENCY PROJECT**  
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Project financial statements for the year ended 31 December 2018

*(all amounts in EUR, unless otherwise stated)*

**3. Project financial statements for the year 2018 (continued)**

**3.1.3 Summary of sources and uses of funds under Government contribution**

	Ref.	Actual 2018	Cumulative 2018	Cumulative 2017	Cumulative budget	Cumulative variance
<b>FINANCING</b>						
VAT Reimbursement		408,079	1,385,724	977,645	-	(1,385,724)
Other income (Canton Sarajevo contribution)		66,468	82,308	15,840	-	(82,308)
Other income (Canton Hercegovačko-neretvanski contribution)		181,528	264,137	82,609	-	(264,137)
<b>TOTAL EXPENDITURE</b>	3.1.	<b>656,075</b>	<b>1,732,169</b>	<b>1,076,094</b>	-	<b>(1,732,169)</b>
<b>PROJECT EXPENDITURE</b>						
<b>By Category</b>						
Goods, works, consultants' services, training and operating costs for Part 1 of the Project		343,485	495,010	151,525	-	(495,010)
<b>TOTAL EXPENDITURE</b>	3.2	<b>343,485</b>	<b>495,010</b>	<b>151,525</b>	-	<b>(495,010)</b>

**ENERGY EFFICIENCY PROJECT**  
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Project financial statements for the year ended 31 December 2018

*(all amounts in EUR, unless otherwise stated)*

**3. Project financial statements for the year 2018 (continuing)**

**3.1.4 Summary of sources and uses of funds under Other income**

	Ref.	Actual 2018	Cumulative 2018	Cumulative 2017	Cumulative budget	Cumulative variance
<b>FINANCING</b>						
Other income		29	53	24	-	(53)
<b>TOTAL FINANCING</b>	<b>3.1.1.</b>	<b>29</b>	<b>53</b>	<b>24</b>	<b>-</b>	<b>(53)</b>

**PROJECT EXPENDITURE**

***By Category***

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

<b>TOTAL EXPENDITURE</b>	<b>3.2</b>	-	-	-	-	-
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**ENERGY EFFICIENCY PROJECT**  
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Project financial statements for the year ended 31 December 2018

*(all amounts in EUR, unless otherwise stated)*

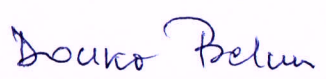
**4. Project financial statements for the year 2018 (continued)**

**4.1. Balance sheet as of 31 December 2018 showing accumulated funds of the Project and bank balances concerning World Bank Funding**

	Ref.	31 December 2018	31 December 2017
<b>ASSETS</b>			
Project expenditure under IDA Credit No. 5393 BA	3.1.1	11,771,671	8,293,357
Project expenditure under IDA Credit No. 5538 BA	3.1.2	206,748	-
Project expenditure under Government contribution	3.1.3	495,010	151,525
		<b>12,473,429</b>	<b>8,444,882</b>
Designated account - IDA Credit No. 5393 BA and IDA Credit No. 5538 BA	A.1	462,162	155,457
Local bank account- Government	A.3	1,237,159	924,569
Petty cash-IDA	A.4	433	934
		<b>1,699,754</b>	<b>1,080,960</b>
<b>Total assets</b>		<b>14,173,183</b>	<b>9,525,842</b>
<b>LIABILITIES</b>			
IDA Credit No. 5393 BA	C.1	12,157,664	8,449,724
IDA Credit No. 5538 BA	C.2	283,297	-
Government contribution	3.1.2	1,732,169	1,076,094
Other income	3.1.3	53	24
<b>Total liabilities</b>		<b>14,173,183</b>	<b>9,525,842</b>

Signed and authorised by:

  
**Josip Martić**  
Minister

  
**Belma Donko**  
Financial Manager

Sarajevo, 3 June 2019

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

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Project financial statements for the year ended 31 December 2018

*(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 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 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**

**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
<b>Opening balance 1 January 2018</b>	3.2	155,444
Add:		
World Bank replenishments	B	1,177,090
Interest		27
		<u>1,177,117</u>
Deduct:		
Transfer to designated sub-account	A.2	863,153
Payments to suppliers - Expenditure under IDA Credit		7,295
		<u>870,448</u>
<b>Ending balance 31 December 2018</b>	3.2	<b>462,113</b>



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**APPENDIX A.2**

**DESIGNATED SUB-ACCOUNT STATEMENT**

**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
<b>Opening balance 1 January 2018</b>	3.2	<b>26</b>	<b>13</b>
Add:			
Transfers from DA - IDA Credit 5393 - BA	A.1.	1,688,181	863,153
Interest		3	2
		<b>1,688,184</b>	<b>863,155</b>
Deduct:			
Payments to suppliers - Expenditure under IDA Credit		1,687,314	862,710
Transfer to petty cash		800	409
		<b>1,688,114</b>	<b>863,119</b>
<b>Ending balance 31 December 2018</b>	3.2	<b>96</b>	<b>49</b>

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**APPENDIX A.3                      LOCAL BANK ACCOUNT STATEMENT**

**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
<b>Opening balance 1 January 2018</b>	3.2	<b>1,808,300</b>	<b>924,569</b>
Add:			
Reimbursement of VAT		798,133	408,079
Canton Hercegovačko-neretvanski contribution		355,038	181,528
Canton Sarajevo contribution		130,000	66,468
	A.1	<b>1,283,171</b>	<b>656,075</b>
Deduct:			
Payments – expenditure under the Government contribution		671,799	343,485
		<b>671,799</b>	<b>343,485</b>
<b>Ending balance 31 December 2018</b>	3.2	<b>2,419,672</b>	<b>1,237,159</b>

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**APPENDIX A.4                      PETTY CASH STATEMENT**

**Address:**                              PIU, Sarajevo

**Related Credit:**                      Credit No. 5393 BA

**Currency:**                              BAM

	Ref.	BAM	EUR
<b>Opening balance 1 January 2018</b>	3.2	<b>1,826</b>	<b>934</b>
Add:			
Transfers from Designated sub-account – IDA 5393 - BA	A.2	800	409
		<b>800</b>	<b>409</b>
Deduct:			
Payments - Expenditure under IDA 5393 - BA	A.1	1,780	910
		<b>1,780</b>	<b>910</b>
<b>Ending balance 31 December 2018</b>	3.2	<b>846</b>	<b>433</b>



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**APPENDIX B.1      SoE Withdrawal Schedule of IDA Credit No. 5393 BA for the year ended 31 December 2018**

	Initial deposit	Goods, works, consultants' services, and operating costs for Part 1 of the Project	Total application	Total replenished
<b>Previous period</b>	<b>460,000</b>	<b>8,293,357</b>	<b>8,293,357</b>	<b>8,449,724</b>
Application 54*	-	157,304	157,304	157,304
Application 55*	-	29,506	29,506	29,506
Application 56*	-	124,831	124,831	124,831
Application 57*	-	166,348	166,348	166,348
Application 59	-	114,439	114,439	114,439
Application 60	-	142,814	142,814	142,814
Application 61	-	121,944	121,944	121,944
Application 62	-	41,682	41,682	41,682
Application 63	-	171,466	171,466	171,466
Application 65	-	29,930	29,930	29,930
Application 66	-	58,018	58,018	58,018
Application 68	-	89,638	89,638	89,638
Application 69	-	70,933	70,933	70,933
Application 70	-	92,202	92,202	92,202
Application 71	-	24,108	24,108	24,108
Application 72	-	19,874	19,874	19,874
Application 73	-	53,893	53,893	53,893
Application 74A	-	31,446	31,446	31,446
Application 75A	-	29,105	29,105	29,105
Application 76	-	194,346	194,346	194,346
Application 77	-	36,196	36,196	36,196
Application 78	-	119,751	119,751	119,751
Application 80	-	194,045	194,045	194,045
Application 81	-	35,466	35,466	35,466
Application 82	-	65,097	65,097	65,097
Application 83	-	93,502	93,502	93,502
Application 84	-	295,312	295,312	295,312
Application 87	-	83,598	83,598	83,598
Application 88	-	21,828	21,828	21,828
Application 89	-	29,732	29,732	29,732
Application 90	-	75,793	75,793	75,793
Application 91****	-	64,388	64,388	-
<b>Total direct payments in 2018</b>	<b>-</b>	<b>2,878,535</b>	<b>2,878,535</b>	<b>2,814,147</b>

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**APPENDIX B.1 SoE Withdrawal Schedule of IDA Credit No. 5393 BA for the year ended 31 December 2018 (continued)**

	Initial deposit	Goods, works, consultants' services, and operating costs for Part 1 of the Project	Total application	Total replenished
Application 58**	-	-	-	258,348
Application 64**	-	-	-	85,283
Application 67	-	135,493	135,493	135,493
Application 79	-	155,654	155,654	155,654
Application 85	-	152,574	152,574	152,574
Application 86	-	106,441	106,441	106,441
Application 92***	-	57,981	57,981	-
Application 97***	-	56,024	56,024	-
<b>Total SoE applications in 2018</b>	-	<b>664,167</b>	<b>664,167</b>	<b>893,793</b>
<b>Total 2018</b>	-	<b>3,542,702</b>	<b>3,542,702</b>	<b>3,707,940</b>
<b>Cumulative as of 31 December 2018</b>	<b>460,000</b>	<b>11,836,059</b>	<b>11,836,059</b>	<b>12,157,664</b>

\* Application No.54-57 was sent to the CC in 2017 but were processed in 2018.

\*\* Application No.58 nad 64 was replenished in 2018, but expenses were made in 2017.

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

\*\*\*\* Application 91 was sent to the CC in 2018 but were processed in 2019.

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**APPENDIX B.2      SoE Withdrawal Schedule of IDA Credit No. 5538 BA for the year ended 31 December 2018**

	Initial deposit	Goods, works, consultants' services, and operating costs for Part 1 of the Project	Total application	Total replenished
<b>Previous period</b>	-	-	-	-
Application 1	150,000	-	-	150,000
<b>Total Initial Deposit</b>	<b>150,000</b>	-	-	<b>150,000</b>
<b>Total direct payments in 2018</b>	-	-	-	-
Application 2	-	133,297	133,297	133,297
Application 3*	-	73,451	73,451	-
<b>Total SoE applications in 2018</b>	<b>150,000</b>	<b>206,748</b>	<b>206,748</b>	<b>283,297</b>
<b>Total 2018</b>	<b>150,000</b>	<b>206,748</b>	<b>206,748</b>	<b>283,297</b>
<b>Cumulative as of 31 December 2018</b>	<b>150,000</b>	<b>206,748</b>	<b>206,748</b>	<b>283,297</b>



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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 2018; SoE Withdrawal Schedule of IDA Credit No. 5393 BA**

	Changes in IDA Credit (in XDR)	Exchange rate used	Changes in IDA Credit (in EUR)
<b>Original amount</b>	<b>10,920,000</b>	1.273960	<b>13,911,642</b>
<b>Disbursed in previous years</b>	<b>6,750,026</b>		<b>8,449,724</b>
Application 54	133,098	1.181863	157,304
Application 55	24,966	1.181863	29,506
Application 56	105,622	1.181863	124,831
Application 57	140,750	1.181863	166,348
Application 58	219,162	1.178797	258,348
Application 59	97,081	1.178797	114,439
Application 60	121,153	1.178797	142,814
Application 61	103,732	1.175563	121,944
Application 62	35,457	1.175563	41,682
Application 63	145,858	1.175563	171,466
Application 64	72,560	1.175337	85,283
Application 65	25,465	1.175337	29,930
Application 66	49,363	1.175337	58,018
Application 67	115,280	1.175337	135,493
Application 68	74,035	1.210751	89,638
Application 69	58,327	1.216132	70,933
Application 70	76,153	1.210751	92,202
Application 71	19,941	1.208980	24,108
Application 72	16,438	1.208980	19,874
Application 73	44,577	1.208980	53,893
Application 74 A	26,122	1.203819	31,446
Application 75 A	24,177	1.203838	29,105
Application 76	162,291	1.197519	194,346
Application 77	30,226	1.197519	36,196
Application 78	98,204	1.219421	119,751
Application 79	127,646	1.219421	155,654
Application 80	161,778	1.199452	194,045
Application 81	29,391	1.206722	35,466
Application 82	53,879	1.208204	65,097
Application 83	77,389	1.208204	93,502
Application 84	244,422	1.208208	295,312
Application 85	125,786	1.212964	152,574
Application 86	87,753	1.212964	106,441
Application 87	68,348	1.223111	83,598
Application 88	17,976	1.214303	21,828
Application 89	24,474	1.214841	29,732
Application 90	62,251	1.217534	75,793
<b>Total disbursed in 2018</b>	<b>3,101,131</b>		<b>3,707,940</b>
<b>Cumulative disbursements</b>	<b>9,851,157</b>		<b>12,157,664</b>

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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 2018; SoE Withdrawal Schedule of IDA Credit No. 5393 BA (continued)**

<b>Cumulative undisbursed balance as of 31 December 2018</b>	<b>1,068,843</b>		<b>1,753,978</b>
<b>Undisbursed balance as per World Bank Summary for December 2018</b>	<b>1,068,843</b>	<b>1.214452</b>	<b>1,298,058</b>
<b>Potential exchange rate loss</b>			<b>(455,920)</b>

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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 2018; SoE Withdrawal Schedule of IDA Credit No. 5538 BA**

	Changes in IDA Credit (in XDR)	Exchange rate used	Changes in IDA Credit (in EUR)
<b>Original amount</b>	<b>1,560,000</b>	1.273960	<b>1,987,378</b>
<b>Disbursed in previous years</b>	-		-
Application No.1	124,361	1.206163883	150,000
Application No.2	109,831	1.213654673	133,297
<b>Total disbursed in 2018</b>	<b>234,192</b>		<b>283,297</b>
<b>Cumulative disbursements</b>	<b>234,192</b>		<b>283,297</b>
<b>Calculated undisbursed balance as of 31 December 2018</b>	<b>1,325,808</b>		<b>1,704,081</b>
<b>Undisbursed balance as per World Bank Summary for December 2018</b>	<b>1,325,808</b>	1.214452	<b>1,610,130</b>
<b>Potential exchange rate loss</b>			<b>(93,951)</b>