

Report on the Federation part of the

## **PROJECT FINANCIAL STATEMENTS**

of the

## **FLOODS EMERGENCY RECOVERY PROJECT**

of the Ministry of Finance and Treasury of Bosnia and Herzegovina

financed by:

- IDA Credit No. 5529-BA

**FOR THE YEARS ENDED  
DECEMBER 31, 2014 AND DECEMBER 31, 2015**

**FLOODS EMERGENCY RECOVERY PROJECT**  
**of the Ministry of Finance and Treasury of Bosnia and Herzegovina**

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## **FLOODS EMERGENCY RECOVERY PROJECT of the Ministry of Finance and Treasury of Bosnia and Herzegovina**

Project financial statements for the years ended December 31, 2014 and December 31, 2015

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### **1. Introduction**

#### **1.1 Objectives of the Project**

The objective of the Project is to meet critical needs and restore functionality of infrastructure essential for public services and economic recovery in floods affected areas.

#### **1.2 Components and activities of the Project**

The Project is comprised of the following two components:

##### ***Component 1: Emergency Disaster Recovery Goods***

The recent floods have created significant strains on the supply chains for a variety of goods crucially needed to ensure the continuity of public services and economic opportunities. For example, some coal mines have been flooded, resulting in a restriction of supply to the main thermal power plants. The flooded areas traditionally have been oriented towards agriculture and agribusiness, which were severely affected by the floods, resulting in fodder and forage shortages and an urgent need for seeds and fertilizers for reseeded. The Project will therefore finance, through the use of a positive list, the purchase of goods urgently needed during the recovery phase. The positive list will include logistical goods, reconstruction goods, emergency goods, energy and power sector goods as well as agricultural recovery goods, with an initial priority set of fuel and food, agricultural and emergency goods. The positive list will include:

- (i) Logistical goods: including water, land and air transport equipment, including spare parts; communications equipment.
- (ii) Reconstruction goods: including construction materials; construction equipment and industrial machinery (including trucks, dozers, excavators); prefabricated houses.
- (iii) Emergency goods: including emergency and medical supplies and equipment; food and water containers; chemicals and equipment for water purification and sanitation of land, buildings and other structures; basic food commodities; cleaning and hygienic supplies; mud and water pumping equipment; equipment and furniture for emergency shelters and accommodations; moisture removal equipment; emergency vehicles and supplies; waste management and disposal equipment.
- (iv) Energy and power sector goods: including petroleum and fuel products; power purchases; power transmission and distribution equipment; mining equipment and pumps to remove water from mines, controls, monitoring and measurement equipment; emergency power generators; and other electrical equipment.
- (v) Agricultural recovery goods: including agricultural equipment and immovable productions systems such as greenhouses, milking parlors and auxiliary installations, sorting or packaging equipment; inputs (excluding pesticides); such as seedlings for perennial crops, orchards and wine yards as well as seeds and fertilizer for reseeded of fields; as well concentrated animal forage and fodder stocks that were destroyed by floods; livestock.
- (vi) Other Essential Goods: any other goods or commodities essential to the Recipient's recovery from flooding, as agreed in advance by the Association.



# FLOODS EMERGENCY RECOVERY PROJECT of the Ministry of Finance and Treasury of Bosnia and Herzegovina

Project financial statements for the years ended December 31, 2014 and December 31, 2015

## 1. Introduction (continued)

### 1.2 Components and activities of the Project (continued)

#### **Component 2 Rehabilitation of Key Public Infrastructure**

This Component will support the rehabilitation of both local and regional public infrastructure on the basis of the RNA. The impact of the floods was concentrated on around 60 municipalities in the central, northwest and northeast parts of the country; in many of these, public services delivery was severely impacted. This Component will therefore finance the rehabilitation or reconstruction of high priority, public service delivery infrastructure in the worst affected areas.

This component is designed under a framework approach in which activities will be identified in a demand-driven manner, based on the on-going RNA. The project will put particular emphasis on Rural Development, Energy, Transport and Water and Sanitation activities but other public services (education, health) will be considered on a case-by-case basis. The Component will be divided in two Subcomponents that will follow somewhat different project cycles, depending on whether the infrastructure is local or regional.

#### *Sub-component 2A: Regional Infrastructure Rehabilitation*

The main activities include rehabilitation of strategic, regional-level public infrastructure such as transport links, electricity distribution and transmission infrastructure, dikes and other strategic public infrastructure.

#### *Subcomponent 2B: Local Infrastructure Rehabilitation.*

Subcomponent 2B will be focused on local-level infrastructure, such as water supply schemes, local roads and bridges etc.

### 1.3 Financing of the Project

The State of Bosnia and Herzegovina ("B&H") is borrower of the International Development Association (IDA Credit No 5529-BA amounting to the equivalent of XDR 65,000,000. Under the terms of a subsidiary finance agreement between B&H and the Federation of Bosnia and Herzegovina ("FB&H"), funds of the equivalent of XDR 30,875,000 have been lent to FB&H.

Categories of cost items to be financed out of the proceeds of the Credit, 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:

<b>Item</b>	<b>Amount of the Credit allocated (in SDR)</b>	<b>% of expenditure to be financed (inclusive of taxes)</b>
(1) Eligible Essential Goods and Commodities for Part A.1.1 of the Project	12,350,000	100%
(2) Goods, works, non-consulting services, consultant's services, Training and Incremental Operating Costs for Parts A.2 and A.3. of the Project	18,525,000	100%
<b>Subtotal</b>	<b>30,875,000</b>	

IDA Credit No 5529-BA become effective on September 15, 2014. Planned closing date is December 31, 2018.

## 2. Independent Auditor's Report

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

### Report on the project financial statements

We have audited the accompanying project financial statements of the Federation part of the Floods Emergency Recovery Project (the "Project"), which comprise of Summary of sources and uses of funds, Balance sheet, Designated account statement, Statements of Credit withdrawals as of and for the years ended December 31, 2014 and December 31, 2015 and a summary of significant accounting policies and other explanatory notes for the years then ended, financed under IDA Credit agreement No. 5529-BA. These project financial statements have been prepared on the cash basis of accounting based on International Public Sector Accounting Standard ("IPSAS"), as described in Note 4.1.

#### *Responsibility for the project financial statements*

The State of Bosnia and Herzegovina, i.e. the management of the project implementation unit (the "Management") is responsible for the preparation and fair presentation of these project financial statements on the cash basis of accounting based on IPSAS, as described in Note 4.1, and on "Guidelines: Annual Financial Reporting and Auditing for World Bank – Financed Activities" issued by Financial Management Sector Board ("FMSB"), and for such internal control as the Management determines is necessary to enable the preparation of the project financial statements that are free from material misstatement, whether due to fraud or error.

#### *Auditor's responsibility*

Our responsibility is to express an opinion on the project financial statements based on our audit. We conducted our audit in accordance with the International Standards on Auditing and "Guidelines: Annual Financial Reporting and Auditing for World Bank – Financed Activities" issued by FMSB. Those Standards and Guidelines require that we plan and perform the audit to obtain reasonable assurance about whether the project financial statements are free of material misstatement.

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the special purpose project financial statements. An audit also includes assessing of the accounting principles used and significant estimates made by the Management, as well as evaluating the overall statement presentation.

We believe that our audit provides a reasonable basis for our opinion.



## Report on the project financial statements (continued)

### *Opinion*

In our opinion, the accompanying project financial statements present fairly, in all material aspects, the financial position of the Project as of December 31, 2014 and as of December 31, 2015 and of the funds received and disbursed during the years then ended, in accordance with basis of accounting described in Note 4.1.

### Report on other requirements

In addition, with respect to the Statements of expenditure, adequate supporting documentation has been maintained to support claims to the World Bank for reimbursements of expenditures incurred; and all expenditures included in withdrawal applications and reimbursed against are eligible for financing under the Project.

### Emphasis of Matter

We draw your attention to the Appendix B to the project financial statements disclosing the fact that, during 2015, the World Bank made disbursements to the Ministry of Finance of the Federation of B&H with regard to the emergency goods purchased and paid directly from the Treasury account. The World Bank, conditionally to the contracting of separate, additional audit for all emergency goods purchased to review the compliance of actual processes and activities with reported ones, and to confirm the goods were indeed distributed to the intended beneficiaries, approved those disbursements.

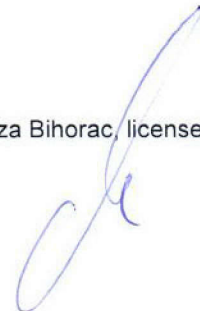
Our audit opinion was not qualified with respect to this matter.

### Deloitte d.o.o.

Sead Bahtanović, director and licensed auditor



Mirza Bihorac, licensed auditor



Sarajevo, Bosnia and Herzegovina

May 6, 2016

**FLOODS EMERGENCY RECOVERY PROJECT**  
**of the Ministry of Finance and Treasury of Bosnia and Herzegovina**

Project financial statements for the years ended December 31, 2014 and December 31, 2015

(all amounts in EUR, unless otherwise stated)

**3. Project financial statements for the years 2014 and 2015**

**3.1 Summary of sources and uses of funds under the IDA Credit No.5529-BA and Other income**

	Ref.	Actual 2015	Actual 2014	Cumulative 2015	Cumulative budget	Cumulative variance
<b>FINANCING</b>						
IDA Credit No. 5529-BA	3.1.1	4,426,057	1,500,000	5,926,057	34,972,360	29,046,303
Other income	3.1.2	310	-	310	-	(310)
<b>TOTAL FINANCING</b>	<b>3.1</b>	<b>4,426,367</b>	<b>1,500,000</b>	<b>5,926,367</b>	<b>34,972,360</b>	<b>29,045,993</b>
<b>PROJECT EXPENDITURE</b>						
<i>By Category</i>						
Eligible Essential Goods and Commodities for Part A.1.1 of the Project		2,592,436		2,592,436	13,988,944	11,396,508
Goods, works, non-consulting services, consults services, Training and Incremental Operating Costs for Parts A.2 and A.3. of the Project		3,310,352	22,569	3,332,921	20,983,416	17,650,495
<b>TOTAL EXPENDITURE</b>	<b>3.2</b>	<b>5,902,788</b>	<b>22,569</b>	<b>5,925,357</b>	<b>34,972,360</b>	<b>29,047,003</b>
<b>PROJECT EXPENDITURE</b>						
<i>By Component</i>						
Emergency Disaster Recovery Goods		2,593,044	-	2,593,044	18,885,074	16,292,030
Rehabilitation of Key Public Infrastructure		3,288,661	19,647	3,308,308	14,338,667	11,030,359
Project Implementation Support and Capacity Building		21,083	2,922	24,005	1,748,619	1,724,614
<b>TOTAL EXPENDITURE</b>	<b>3.2</b>	<b>5,902,788</b>	<b>22,569</b>	<b>5,925,357</b>	<b>34,972,360</b>	<b>29,047,003</b>

**FLOODS EMERGENCY RECOVERY PROJECT**  
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Project financial statements for the years ended December 31, 2014 and December 31, 2015

(all amounts in EUR, unless otherwise stated)

**3. Project financial statements for the years 2014 and 2015 (continued)**

**3.1.1 Summary of sources and uses of funds under the IDA Credit agreement No. 5529-BA**

	Ref.	Actual 2015	Actual 2014	Cumulative 2015	Cumulative budget	Cumulative variance
<b>FINANCING</b>						
<i>IDA Credit No. 5529-BA</i>					34,972,360	
Initial deposit		-	1,500,000	1,500,000	-	
Reimbursements		2,139,065	-	2,139,065		
Direct payments		256,065	-	256,065		
SoE replenishments		2,030,927	-	2,030,927		
<b>TOTAL FINANCING</b>	<b>3.1</b>	<b>4,426,057</b>	<b>1,500,000</b>	<b>5,926,057</b>	<b>34,972,360</b>	<b>29,046,303</b>
<b>PROJECT EXPENDITURE</b>						
<i>By Category</i>						
Eligible Essential Goods and Commodities for Part A.1.1 of the Project		2,592,436	-	2,592,436	13,988,944	11,396,508
Goods , works, non- consulting services, consults' services, Training and Incremental Operating Costs for Parts A.2 and A.3. of the Project		3,310,352	22,569	3,332,921	20,983,416	17,650,495
<b>TOTAL EXPENDITURE</b>	<b>3.2</b>	<b>5,902,788</b>	<b>22,569</b>	<b>5,925,357</b>	<b>34,972,360</b>	<b>29,047,003</b>



**FLOODS EMERGENCY RECOVERY PROJECT**  
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Project financial statements for the years ended December 31, 2014 and December 31, 2015

(all amounts in EUR, unless otherwise stated)

**3. Project financial statements for the years 2014 and 2015 (continued)**

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

	Ref.	Actual 2015	Actual 2014	Cumulative 2015	Cumulative budget	Cumulative variance
<b>FINANCING</b>						
Tender documentation sold		310	-	310	-	(310)
<b>TOTAL FINANCING</b>	3.2	<b>310</b>	<b>-</b>	<b>310</b>	<b>-</b>	<b>(310)</b>
<b>PROJECT EXPENDITURE</b>						
<i>By Category</i>						
		-	-	-	-	-
<b>TOTAL EXPENDITURE</b>	3.2	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

**FLOODS EMERGENCY RECOVERY PROJECT**  
**of the Ministry of Finance and Treasury of Bosnia and Herzegovina**

Project financial statements for the years ended December 31, 2014 and December 31, 2015

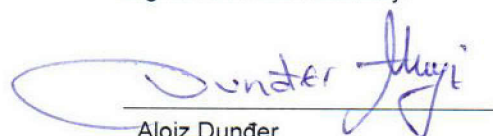
(all amounts in EUR, unless otherwise stated)

**3. Project financial statements for the years 2014 and 2015 (continued)**

**3.2 Balance sheet as of December 31, 2014 and December 31, 2015 showing accumulated funds of the project and bank balances concerning World Bank funding**

	Ref.	December 31, 2015	December 31, 2014
<b>ASSETS</b>			
Project expenditure under IDA Credit No. 5529-BA	3.1.1	5,925,357	22,569
		<u>5,925,357</u>	<u>22,569</u>
Designated account - IDA Credit No. 5529-BA	A.1	1,010	1,477,431
		<u>1,010</u>	<u>1,477,431</u>
<b>Total assets</b>		<u><b>5,926,367</b></u>	<u><b>1,500,000</b></u>
<b>LIABILITIES</b>			
IDA Credit No. 5529-BA	C.1	5,926,057	1,500,000
Other income	3.1.2	310	-
<b>Total liabilities</b>		<u><b>5,926,367</b></u>	<u><b>1,500,000</b></u>

Signed and authorized by:

  
 Alojz Dunder  
 PIU Director

  
 Azra Bukva  
 Financial Manager

Sarajevo, May 6, 2016

## **FLOODS EMERGENCY RECOVERY PROJECT of the Ministry of Finance and Treasury of Bosnia and Herzegovina**

Project financial statements for the years ended December 31, 2014 and December 31, 2015  
(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 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 January 1 to December 31 for the recording of all transactions.

##### ***Cash basis of accounting***

All receipts and expenses under IDA Credit 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 IDA Credit during a certain period. These statements are sent to the World Bank's disbursement department who authorizes 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.

##### ***Designated accounts***

This is the total amount of the withdrawals from the Credit account for the Project. IDA Credit account is in XDR.

##### ***Other income***

Other income includes income from tender documentation sold.



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Project financial statements for the years ended December 31, 2014 and December 31, 2015

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

**4. Notes to the project financial statements (continued)**

**4.2 Accounting policies**

***Interest on Designated account***

Interest earned on the Designated account belongs to the Borrower.

**FLOODS EMERGENCY RECOVERY PROJECT  
of the Ministry of Finance and Treasury of Bosnia and Herzegovina**

Project financial statements for the years ended December 31, 2014 and December 31, 2015  
(all amounts in EUR, unless otherwise stated)

**APPENDIX A                          DESIGNATED ACCOUNT STATEMENT**

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

**Account No.:** 53001201964572

**Depository Bank:** Intesa Sanpaolo Banka d.d

**Address:** Obala Kulina bana 9a 71000 Sarajevo

**Related Credit:** IDA Credit No. 5529-BA

**Currency:** EUR

	<b>Ref.</b>	<b>EUR</b>
<b>Opening balance January 1, 2014</b>	3.2	<u>-</u>
Add:		
World Bank replenishments	B	<u>1,500,000</u>
		<b><u>1,500,000</u></b>
Deduct:		
Payments to suppliers - Expenditure under IDA Credit		<u>22,569</u>
		<b><u>22,569</u></b>
<b>Ending balance December 31, 2014</b>	3.2	<b>1,477,431</b>
Add:		
World Bank replenishments	B	2,030,927
Tender documentation sold		<u>310</u>
		<b><u>2,031,237</u></b>
Deduct:		
Payments to suppliers - Expenditure under IDA Credit		<u>3,507,658</u>
		<b><u>3,507,658</u></b>
<b>Ending balance December 31, 2015</b>	3.2	<b><u>1,010</u></b>

**FLOODS EMERGENCY RECOVERY PROJECT**  
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Project financial statements for the years ended December 31, 2014 and December 31, 2015

(all amounts in EUR, unless otherwise stated)

**APPENDIX B SoE Withdrawal Schedule of IDA Credit No. 5529-BA**

	Initial deposit	Eligible Goods and Commodities for Part A.1.of the Project	Goods, works, non-consulting services, training and incremental operating Costs for Parts A.2 and A3 of Project	Total application	Total replenished
Application 1	1,500,000	-	-	-	1,500,000
<b>Total initial deposit</b>	<b>1,500,000</b>	-	-	-	<b>1,500,000</b>
Application 2	-	-	22,569	22,569	-
<b>Total SoE applications</b>	-	-	<b>22,569</b>	<b>22,569</b>	-
<b>As of December 31, 2014</b>	<b>1,500,000</b>	-	<b>22,569</b>	<b>22,569</b>	<b>1,500,000</b>
Application 4	-	34,809	-	34,809	34,809
Application 5	-	2,104,256	-	2,104,256	2,104,256
<b>Total Reimbursements *</b>	-	<b>2,139,065</b>	-	<b>2,139,065</b>	<b>2,139,065</b>
Application 8	-	-	256,065	256,065	256,065
<b>Total Direct payments</b>	-	-	<b>256,065</b>	<b>256,065</b>	<b>256,065</b>
Application 2 **	-	-	-	-	22,569
Application 3	-	-	217,677	217,677	217,677
Application 6	-	-	331,526	331,526	331,526
Application 7	-	-	656,187	656,187	656,187
Application 9	-	-	802,968	802,968	802,968
Application 14 ***	-	-	474,766	474,766	-
Application 15 ***	-	69,657	-	69,657	-
Application 16 ***	-	-	365,322	365,322	-
Application 17 ***	-	383,714	-	383,714	-
Application 19 ***	-	-	205,841	205,841	-
<b>Total SoE applications</b>	-	<b>453,371</b>	<b>3,054,287</b>	<b>3,507,658</b>	<b>2,030,927</b>
<b>Total 2015</b>	-	<b>2,592,436</b>	<b>3,310,352</b>	<b>5,902,788</b>	<b>4,426,057</b>
<b>As of December 31, 2015</b>	<b>1,500,000</b>	<b>2,592,436</b>	<b>3,332,921</b>	<b>5,925,357</b>	<b>5,926,057</b>

\* Reimbursements relate to the disbursements made to the Ministry of Finance of the Federation of B&H with regard to the emergency goods purchased and paid directly from the Treasury account. The World Bank "No objection" received on May 19, 2015 approved these disbursements; approval is conditional to the contracting of an audit for all emergency goods purchased to review the compliance of actual processes and activities with reported ones, and to confirm the goods were indeed distributed to the intended beneficiaries. PIU is not in possession of complete documentation related to the emergency goods purchased.

\*\* Application No. 2 was replenished in 2015, but expenses were made in 2014.

\*\*\* Applications No. 14, No. 15, No. 16, No. 17 and No. 19 were replenished in 2016, but expenses were made in 2015.



**FLOODS EMERGENCY RECOVERY PROJECT**  
**of the Ministry of Finance and Treasury of Bosnia and Herzegovina**

Project financial statements for the years ended December 31, 2014 and December 31, 2015

(all amounts in EUR, unless otherwise stated)

**APPENDIX C Reconciliation between World Bank's disbursement statements in XDR and IDA Credit account in EUR according to the balance sheet; SoE Withdrawal Schedule of IDA Credit No. 5529-BA**

	Changes in IDA Credit (in XDR)	Exchange rate used	Changes in IDA Credit (in EUR)
<b>Original amount</b>	<b>30,875,000</b>	1.132708	<b>34,972,360</b>
Withdrawal 1	1,274,272	1.177143	1,500,000
<b>Total disbursed in 2014</b>	<b>1,274,272</b>		<b>1,500,000</b>
<b>Cumulative disbursements as of December 31, 2014</b>	<b>1,274,272</b>		<b>1,500,000</b>
Withdrawal 2	18,147	1.243677	22,569
Withdrawal 3	171,627	1.268314	217,677
Withdrawal 4	27,367	1.271933	34,809
Withdrawal 5	1,656,383	1.270392	2,104,256
Withdrawal 6	264,248	1.254602	331,526
Withdrawal 7	511,951	1.281737	656,187
Withdrawal 8	200,294	1.278446	256,065
Withdrawal 9	631,852	1.270816	802,968
<b>Total disbursed in 2015</b>	<b>3,481,869</b>		<b>4,426,057</b>
<b>Cumulative disbursements as of December 31, 2015</b>	<b>4,756,141</b>		<b>5,926,057</b>
<b>Calculated undisbursed balance as of December 31, 2015</b>	<b>26,118,859</b>		<b>29,046,303</b>
<b>Undisbursed balance as per World Bank Summary for December 2015</b>	<b>26,118,859</b>	1.272830	<b>33,244,867</b>
<b>Potential exchange rate gain</b>			<b>4,198,565</b>