

AUDITED PROJECT FINANCIAL STATEMENTS

Loan no. 1000004152, 1000004164, 2000001966

Period covered: 1 January 2018 to 31 December 2018

Rural Business Development Project (RBDP)

Prepared by Bakertilly

Received on 14 June 2019

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Report on the Consolidated Project Financial
Statements of the

**RURAL BUSINESS DEVELOPMENT
PROJECT**

of the Ministry of Finance and Treasury of Bosnia and
Herzegovina

Financed by:

- IFAD Loan Agreement No. I-859-BA
- IFAD Grant No. I-C-1337-BA
- OFID Loan No. 4930

For the year ended 31 December 2018

RURAL BUSINESS DEVELOPMENT PROJECT
of the Ministry of Finance and Treasury of Bosnia and Herzegovina

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RURAL BUSINESS DEVELOPMENT PROJECT

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1. Introduction

1.1 Objectives of the Project

The State of Bosnia and Herzegovina (the "State"), through its Ministry of Finance and Treasury, obtained Loan No. I-859-BA and Grant No. I-C-1337-BA from the International Fund for Agricultural Development (IFAD).

The Federation of Bosnia and Herzegovina ("FB&H") and Republika Srpska ("RS") have agreed to carry out the Rural Business Development Project (the "Project") and agreed subsidiary agreements with the State.

As of 27 April 2016, the State signed Loan Agreement No. 4930 with The OPEC Fund for International Development (OFID) for part financing of the Project, in accordance to which OFID approved loan in the amount of USD 5,350,000.

The Project Goal is defined as: rural poverty reduction by raising the target groups incomes and strengthening their resilience by building profitable farm and non-farm enterprises in Bosnia and Herzegovina.

The purpose of the Project shall be to help subsistence farmers transform to commercial farming and help in developing the non-farm enterprise sector for rural employment generation.

The expected outcomes of the project include: (i) increased productivity and enterprise through strengthened business and advisory services; (ii) increased access to sustainable financial services and (iii) improved access to markets and business opportunities. At least 75% of the targeted households are expected to report 30% increase in average household agricultural income and 50% increase in non-farm incomes. The share of women and unemployed youth in wage employment is expected to increase by 5%.

1.2 Components and activities of the Project

The project consists of the following components:

1. Rural Business Support
2. Rural Business Investments
3. Rural Market Infrastructure
4. Project Management

Project Activities in FB&H

Component 1: Rural Business Support

The Rural Business Support Component shall consist of three sub-components: (i) Farm Enterprise Development, (ii) Business Development Services and (iii) Non-Farm Enterprise Development.

(i) Farm Enterprise Development - The Project shall provide training to 6000 smallholder farmers for enhancing agriculture productivity. The aim will be to increase yields, product quality and value of existing farm enterprises through provision of advice and training; promotion of high value crops, demonstration of improved and appropriate technologies and practices for the horticulture and livestock sectors; improved agriculture inputs, improvement in herds and livestock production and management practices, enhancing food safety standards, strengthening of Good Agriculture and environmentally sound practices. All activities will be market-driven and designed to assist beneficiary farmers to improve the productivity, marketability and profitability of their produce.

(ii) Business Development Services – In order to link small farmers to the market, the Project shall strengthen around 60 Producer Associations and Agriculture Cooperatives with a membership of approximately 4,200. It shall provide training, on-the-job mentoring and

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1. Introduction (continued)

1.2. Components and activities of the Project (continued)

Component 1: Rural Business Support (continued)

facilitate expansion of market linkages. The Project shall assist Agriculture Cooperatives, Producer Association and other market intermediaries providing small farmers with opportunities to participate more actively in value chains and adoption of standards such as Hazard Analysis and Critical Control Points (HACCP), European Good Agriculture Practices (EuroGAP) and ISO 22,000 standard developed by the International Organization for Standardization dealing with food safety standards. Through training, technical assistance, marketing and assistance to obtain certification, rural entrepreneurs, both farm and non-farm, shall be assisted to develop and expand their enterprises which create opportunities to enhance incomes and rural employment and add value to the rural economy.

(iii) *Non-Farm Enterprise Development* – The Project shall focus on creating jobs for women and unemployed youth given the lack of opportunities in rural areas and the high unemployment rate for these two groups. The project will provide support which will include identification of business and employment opportunities, preparation of technical and business feasibilities, access to financing through its rural finance component. For a few selected enterprises with the potential for employment generation, a small one-time initial capital assistance with some contribution from the Project will also be considered.

Component 2: Rural Business Investment Component

The Rural Business Investment shall provide access to financial services and operate with two main client groups, (i) smallholder producers and rural entrepreneurs, who shall be provided loans for up to five years and (ii) rural enterprises connected to one of the main project supported value chains who shall be provided loans. Innovative arrangements for financing private sector firms with contractual arrangements with Producer Associations and Agriculture Cooperatives shall be encouraged as these have proved to be very effective in providing timely finance to small farmers, address the working capital requirements of processors and wholesalers, ensure timely payments to farmers for their produce and provide a secure source of repayment through deduction of instalments at source thereby reducing the transaction cost of financial institutions.

Component 3: Rural Market Infrastructure

The Rural Infrastructure component shall enhance access to markets through a broad range of schemes which shall be undertaken in close partnership with municipal governments. All selected schemes will have to demonstrate the potential of the scheme to enhance economic opportunities and improved livelihoods. The main types of infrastructure that shall be eligible under the Rural Market Infrastructure component shall include infrastructure such as village and feeder roads including bridges, pasture livestock water points, small-scale irrigation systems, domestic water supply and sewerage systems.

Component 4: Project Management

The Project Management Component shall finance all the incremental costs of project management and coordination by the Project Coordination Unit (PCU).

1.3. Financing of the Project

The Project is financed by:

- a) IFAD Loan No. I-859-BA,
- b) IFAD Grant No. I-C-1337-BA
- c) OFID Grant No. 4930
- d) Government
- e) Beneficiaries

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1. Introduction (continued)

1.3. Financing of the Project (continued)

1.3.1. IFAD Loan Agreement No. I-859-BA

The State is the borrower of the International Fund for Agricultural Development (IFAD) Loan No. I-859-BA, amounting to XDR 8,050,000.

In accordance to terms of subsidiary finance agreement between the State and FB&H, funds of the equivalent of XDR 4,805,000 have been lent to FB&H.

In accordance to terms of subsidiary finance agreement between the State and RS, funds of the equivalent of XDR 3,245,000 have been lent to RS.

1.3.2. IFAD Grant Agreement No. I-C-1337-BA

IFAD Grant No. I-C-1337-BA allocations for B&H are XDR 500,000.

In accordance to terms of subsidiary finance agreement between the State and FB&H, funds of the equivalent of XDR 301,000 have been granted to FB&H.

In accordance to terms of subsidiary finance agreement between the State and RS, funds of the equivalent of XDR 199,000 have been granted to RS.

1.3.3. IFAD Loan and Grant amounts allocation

Categories of cost items to be financed out of the proceeds of the Loan and Grant, the allocation of the amounts of the Loan and Grant to each category and the percentage of expenditure for cost items so to be financed in each category are as follows:

Part A of the Project – FB&H

Item	Amount of the Loan allocated (in XDR)	Amount of the Grant allocated (in XDR)	% of expenditure to be financed
I Enterprise Support Fund	31,000	32,000	100% net of taxes and beneficiary contribution
II Revolving Investment Fund	2,810,000	-	100% net of PFI contributions
III Civil Works	275,000	-	100% net of taxes
IV National Technical Assistance, Training, Workshops and Studies	585,000	255,000	100% net of co-financing and Municipalities/beneficiaries contributions
V Equipment	91,000	14,000	100% net of co-financing
VI Incremental operating costs	775,000	-	100% net of taxes
Unallocated	238,000	-	
Subtotal (FB&H)	4,805,000	301,000	

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1.3. Financing of the Project (continued)

1.3.3. IFAD Loan and Grant amounts allocation (continued)

Part B of the Project – RS

Item	Amount of the Loan allocated (in XDR)	Amount of the Grant allocated (in XDR)	% of expenditure to be financed
I Enterprise Support Fund	50,000	13,000	100% net of taxes and beneficiary contribution
II Revolving Investment Fund	1,626,000	-	100% net of PFI contributions
III Civil Works	190,000	-	100% net of taxes
IV National Technical Assistance, Training, Workshops and Studies	560,000	160,000	100% net of co-financing and Municipalities/beneficiaries contributions
V Vehicle and Equipment	50,000	26,000	100% net of co-financing
VI Incremental operating costs	615,000	-	100% net of taxes
Unallocated	154,000	-	
Subtotal (RS)	3,245,000	199,000	
TOTAL	8,050,000	500,000	

1.3.3. OFID Loan Agreement No. 4930

OFID Loan proceeds of USD 5,350,000 shall be utilized towards financing 37.08% of the total cost of the Rural Market Infrastructure component of the Project.

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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 Consolidated Project Financial Statements

Opinion

We have audited the accompanying Consolidated project financial statements of the Rural Business Development Project (the "Project"), which comprise of Summary of sources and uses of funds, Balance sheet, Designated accounts, local bank accounts and petty cash statements, Statements of loan and grant 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 IFAD Loan Agreement No. I-859-BA, IFAD Grant Agreement No. I-C-1337-BA and OFID Loan Agreement No. 4930.

In our opinion, the accompanying Consolidated 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 the International Fund for Agricultural Development Guidelines for Project Audits ("IFAD Guidelines"). 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 Consolidated Project Financial Statements

The management of project coordination unit in Republika Srpska and project coordination unit in Federation of Bosnia and Herzegovina are responsible for the preparation of separate project financial statements in accordance with the cash basis of accounting based on IPSAS, as described in Note 4.1., the International Fund for Agricultural Development Guidelines for Project Audits, and for such internal control as management determines is necessary to enable the preparation of separate project financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the separate 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. These consolidated financial statements are sum of separate project financial statements.

Responsibilities for the Audit of Consolidated Project Financial Statements

Our objectives are to obtain reasonable assurance about whether the Consolidated 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 Consolidated 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 Consolidated 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 Consolidated project financial statements, including the disclosures, and whether the Consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

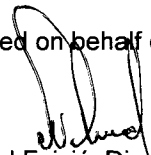
We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on other requirements

In addition, with respect to the SoE withdrawal schedule, adequate supporting documentation has been maintained to support claims for reimbursements of expenditures occurred and such expenditure were eligible under IFAD Loan Agreement No. I-859-BA, IFAD Grant Agreement No. I-C-1337-BA and OFID Loan Agreement No. 4930.

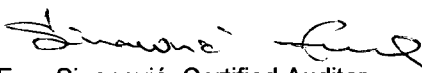
In addition, in our opinion, the accompanying designated account statements present fairly, in all material aspects, the funds received and disbursements made from the designated accounts of the Project for the year ended 31 December 2018, in accordance with the basis of accounting described in Note 4.1.

Signed on behalf of Baker Tilly Re Opinion d.o.o. Sarajevo


Nihad Fejzić, Director and Certified Auditor

Sarajevo, 24 May 2019




Ema Sinanović, Certified Auditor

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3. Consolidated Project financial statements for the year 2018

3.1 Summary of Sources and Uses of Funds under the IFAD Loan No. I-859-BA, IFAD Grant No. I-C-1337-BA, OFID Loan No. 4930, Government contribution, beneficiary's contribution and Government contribution IFAD 562

	Ref.	Actual 2018	Cumulative 2018	Cumulative 2017	Cumulative budget	Cumulative variance
FINANCING						
IFAD Loan No. I-859-BA	3.1.1	4,082,946	7,947,824	3,864,879	9,663,883	1,716,059
IFAD Grant No. I-C-1337-BA	3.1.2	129,635	480,791	351,156	587,730	106,939
OFID Loan No. 4930	3.1.3	2,199,677	3,199,677	1,000,000	3,920,075	720,398
Government contribution	3.1.4	994,501	1,394,618	400,117	5,810,576	4,415,958
Beneficiaries contribution	3.1.5	1,011,336	1,294,802	283,466	1,067,885	(226,917)
Government contribution IFAD 562	3.1.6	328,764	1,337,431	1,008,667	3,465,959	2,128,528
TOTAL FINANCING	3.2	8,746,858	15,655,144	6,908,285	24,516,108	8,860,965
PROJECT EXPENDITURE						
By Category						
Enterprise Support Fund		166,051	265,703	99,652	780,244	514,541
Revolving Investment Fund		1,224,371	2,941,856	1,717,485	4,696,362	1,754,506
Civil Works		5,357,229	6,931,419	1,574,190	13,756,877	6,825,459
National Technical Assistance, Training, Workshops and Studies		546,254	900,091	353,836	2,079,899	1,179,808
Vehicle and Equipment		137,981	205,842	67,861	406,132	200,290
Incremental operating costs		428,576	1,248,197	819,621	2,602,577	1,354,380
Unallocated		-	-	-	194,018	194,018
TOTAL EXPENDITURE	3.2	7,860,463	12,493,108	4,632,645	24,516,108	12,023,001
PROJECT EXPENDITURE						
By Component						
Rural Business Support		807,129	1,284,007	476,878	3,228,977	1,944,971
Rural Business Investment		1,223,383	2,940,868	1,717,485	4,736,530	1,795,662
Rural Market Infrastructure		5,357,229	6,931,355	1,574,126	13,832,024	6,900,670
Project management and coordination unit		472,722	1,336,878	864,156	2,718,576	1,381,698
TOTAL EXPENDITURE	3.2	7,860,463	12,493,108	4,632,645	24,516,108	12,023,001

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

3.1.1 Summary of Sources and Uses of Funds under the IFAD Loan agreement No. I-859-BA

	Ref.	Actual 2018	Cumulative 2018	Cumulative 2017	Cumulative budget	Cumulative variance
FINANCING						
IFAD Loan No. I-859-BA					9,663,883	
Initial deposit		1,375,000	2,875,000	1,500,000		
Direct payments		-	-	-		
SoE replenishments		2,707,946	5,072,824	2,364,879		
TOTAL FINANCING	3.2	4,082,946	7,947,824	3,864,879	9,663,883	1,716,059
PROJECT EXPENDITURE						
<i>By Category</i>						
Enterprise Support Fund		120,029	171,329	51,300	204,896	33,567
Revolving Investment Fund		1,224,371	2,941,856	1,717,485	5,400,526	2,458,670
Civil Works		1,248,694	1,354,759	106,065	602,575	(752,184)
National Technical Assistance, Training, Workshops and Studies		415,512	697,405	281,892	1,324,152	626,747
Vehicle and Equipment		128,885	177,096	48,210	207,323	30,228
Incremental operating costs		415,338	1,203,624	788,286	1,730,394	526,770
Unallocated		-	-	-	194,018	194,018
TOTAL EXPENDITURE	3.2	3,552,829	6,546,068	2,993,239	9,663,883	3,117,815

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

3.1.2 Summary of sources and uses of fund under IFAD Grant agreement No. I-C-1337-BA

	Ref.	Actual 2018	Cumulative 2018	Cumulative 2017	Cumulative budget	Cumulative variance
FINANCING						
IFAD Grant No. I-C-1337-BA					587,730	
Initial deposit		-	300,000	300,000		
Direct payment		-	-	-		
SoE replenishments		129,635	180,791	51,156		
TOTAL FINANCING	3.2	129,635	480,791	351,156	587,730	106,939
PROJECT EXPENDITURE						
By Category						
Enterprise support fund		19,615	55,293	35,678	85,525	30,232
National Technical assistance, Training, Workshops and Studies		113,119	150,479	37,360	438,196	287,717
Equipment		6,807	18,262	11,454	64,009	45,747
TOTAL EXPENDITURE	3.2	139,541	224,034	84,493	587,730	363,696

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

3.1.3 Summary of sources and uses of fund under OFID Loan No. 4930 (FB&H only)

	Ref.	Actual 2018	Cumulative 2018	Cumulative 2017	Cumulative budget	Cumulative variance
FINANCING						
OFID Loan No. 4930					3,920,075	
Initial deposit		-	1,000,000	1,000,00		
Direct Payments		-	-	-		
SoE replenishments		2,199,677	2,199,677	-		
TOTAL FINANCING	3.2	2,199,677	3,199,677	1,000,000	3,920,075	720,398
PROJECT EXPENDITURE						
By Category						
Civil works		2,172,193	3,081,623	909,430	3,920,075	838,451
TOTAL EXPENDITURE	3.2	2,172,193	3,081,623	909,430	3,920,075	838,451

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

3.1.4 Summary of sources and uses of fund under Government contribution

	Ref.	Actual 2018	Cumulative 2018	Cumulative 2017	Cumulative budget	Cumulative variance
FINANCING						
<i>Government contribution</i>						
Government contribution FB&H		497,487	781,765	284,278	1,421,391	639,626
Government contribution RS		497,014	612,853	115,839	4,389,185	3,776,332
TOTAL FINANCING	3.2	994,501	1,394,618	400,117	5,810,576	4,415,958
PROJECT EXPENDITURE						
<i>By Category</i>						
Enterprise support fund		-	12,674	12,674	27,088	14,414
Civil works		405,385	577,916	172,531	5,226,199	4,648,284
National Technical assistance, Training, Workshops and Studies		17,623	52,207	34,584	91,417	39,210
Equipment and Vehicles		2,289	10,485	8,196	18,278	7,793
Incremental operating costs		13,238	44,573	31,335	447,595	403,022
TOTAL EXPENDITURE	3.2	438,535	697,854	259,319	5,810,576	5,112,722

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

3.1.5 Summary of sources and uses of fund under Beneficiaries contribution (RS only)

	Ref.	Actual 2018	Cumulative 2018	Cumulative 2017	Cumulative budget	Cumulative variance
FINANCING						
<i>Beneficiaries contribution</i>					1,067,885	
Beneficiaries contribution		1,011,336	1,294,802	283,466		
TOTAL FINANCING	3.2	1,011,336	1,294,802	283,466	1,067,885	(226,917)
PROJECT EXPENDITURE						
<i>By Category</i>						
Enterprise Support Fund		26,408	26,408	-	-	(26,408)
Civil works		794,937	961,518	166,581	904,987	(56,531)
Equipment and vehicles		-	-	-	162,898	162,898
TOTAL EXPENDITURE	3.2	821,345	987,926	166,581	1,067,885	79,959

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

**3.1.6 Summary of sources and uses of funds under Government Contribution (IFAD 562)
(RS only)**

	Ref.	Actual 2018	Cumulative 2018	Cumulative 2017	Cumulative budget	Cumulative variance
FINANCING						
Government contribution					3,465,959	
Government contribution		328,764	1,337,431	1,008,667		
TOTAL FINANCING	3.2	328,764	1,337,431	1,008,667	3,465,959	2,128,528
PROJECT EXPENDITURE						
<i>By Category</i>						
Civil Works		736,020	955,603	219,583	3,465,959	2,510,356
TOTAL EXPENDITURE	3.2	736,020	955,603	219,583	3,465,959	2,510,356

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

3.2 Balance sheet as of 31 December 2018 showing accumulated funds of the Project and bank balances concerning IFAD and OFID Funding

	Ref.	31 December 2018	31 December 2017
ASSETS			
Project expenditure IFAD Loan No. I-859-BA	3.1.1	6,546,068	2,993,239
Project expenditure IFAD Grant No. I-C-1337-BA	3.1.2	224,034	84,493
Project expenditure OFID Loan No. 4930	3.1.3	3,081,623	909,430
Project expenditure under Government contribution	3.1.4	697,854	259,319
Project expenditure under Beneficiary contribution	3.1.5	987,926	166,581
Project expenditure under Government contribution IFAD 562	3.1.6	955,603	219,583
		12,493,108	4,632,645
Designated account - IFAD Loan No. I-859-BA (FB&H)	A.1	938,586	546,494
Designated sub-account - IFAD Loan No. I-859-BA (FB&H)	A.2	-	-
Petty Cash under IFAD Loan No. I-859-BA (FB&H)	A.3	81	14
Designated account - IFAD Loan No. I-859-BA (RS)	A.4	462,984	325,132
Designated account - IFAD Grant No. I-C-1337-BA (FB&H)	A.5	133,865	116,663
Designated sub-account - IFAD Grant No. I-C-1337-BA (FB&H)	A.6	-	-
Designated account - OFID Loan No. 4930 (FB&H)	A.7	118,054	90,570
Designated sub-account - OFID Loan No. 4930 (FB&H)	A.8	-	-
Designated account - IFAD Grant No. I-C-1337-BA (RS)	A.9	122,892	150,000
Local bank account - Government contribution (FB&H)	A.10	116,740	44,081
Local bank account - Government contribution (RS)	A.11	137,054	22,935
Local bank account - Beneficiary contribution (RS)	A.12	306,825	116,885
Local bank account - Government contribution IFAD 562 (RS)	A.13	381,515	789,084
		2,718,596	2,201,858
VAT receivables (RS)		443,440	73,782
Total assets		15,655,144	6,908,285
LIABILITIES			
IFAD Loan No. I-859-BA	3.1.1	7,947,824	3,864,879
IFAD Grant No. I-C-1337-BA	3.1.2	480,791	351,156
OFID Loan No. 4930	3.1.3	3,199,677	1,000,000
Government contribution	3.1.4	1,394,618	400,117
Beneficiary contribution	3.1.5	1,294,802	283,466
Government contribution IFAD 562	3.1.6	1,337,431	1,088,667
Total liabilities		15,655,144	6,908,285

RURAL BUSINESS DEVELOPMENT PROJECT
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Consolidated Project financial statements for the year ended 31 December 2018

(all amounts in EUR, unless otherwise stated)

4. Notes to the Consolidated project financial statements

4.1 Basis of preparation and accounting records

These Consolidated 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 IFAD Loan, IFAD Grant and OFID 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 IFAD Loan, IFAD Grant and OFID Loan account.

Statement of Expenditure (SoE)

Statements of Expenditure are used to state the expenditure under IFAD Loan, IFAD Grant and OFID Loan during a certain period. These statements are sent to the IFAD and OFID 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 (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 account

This is the total amount of the withdrawals from the IFAD Loan account, IFAD Grant account and OFID Loan account for the Project. IFAD Loan account is in XDR.

Local bank accounts

This concerns bank accounts at local banks (other than Designated account) in EUR and BAM 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, income from tender documentation sold and received bidding fees.

Interest on Designated accounts

Interest earned on the Designated accounts belongs to the Borrower.

RURAL BUSINESS DEVELOPMENT PROJECT
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4. Notes to the Consolidated project financial statements (continued)

4.2. Accounting policies (continued)

Interest on local bank accounts

Interest earned on the local bank account used for the payments from IFAD Loan funds, IFAD Grant funds and OFID Loan funds belongs to the Borrower; interest earned on the local bank accounts used for the payments from Government and Beneficiaries contribution is treated as additional source of financing of the Project.

RURAL BUSINESS DEVELOPMENT PROJECT
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Consolidated Project financial statements for the year ended 31 December 2018
(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.:

Depository Bank:

Address:

Related Credit: IFAD Loan No. I-859-BA

Currency: EUR

	Ref.	EUR
Opening balance 1 January 2018	3.2	546,494
Add:		
IFAD replenishments	B.1	2,620,227
		<u>3,166,721</u>
Deduct:		
Expenditures paid during the period		508
Transfer to designated sub-account	A.2	2,227,627
		<u>2,228,135</u>
Ending balance 31 December 2018	3.2	938,586

RURAL BUSINESS DEVELOPMENT PROJECT
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Consolidated Project financial statements for the year ended 31 December 2018

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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.:

Depository Bank:

Address:

Related Credit: IFAD Loan No. I-859-BA

Currency: BAM

	Ref.	BAM	EUR
Opening balance 1 January 2018	3.2	-	-
Add:			
Transfer from Designated account	A.1	4,356,859	2,227,627
		<u>4,356,859</u>	<u>2,227,627</u>
Deduct:			
Expenses paid during the period		4,348,859	2,223,536
Transfer to petty cash	A.3	8,000	4,090
		<u>4,356,859</u>	<u>2,227,627</u>
Ending balance 31 December 2018	3.2	-	-

RURAL BUSINESS DEVELOPMENT PROJECT
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Consolidated Project financial statements for the year ended 31 December 2018

(all amounts in EUR, unless otherwise stated)

APPENDIX A.3

PETTY CASH

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

Related Credit: IFAD Loan No. I-859-BA

Currency: BAM

	Ref.	BAM	EUR
Opening balance 1 January 2018	3.2	28	14
Add:			
Transfer from Designated sub-account	A.2	8,000	4,090
		<u>8,028</u>	<u>4,105</u>
Deduct:			
Payments to suppliers - Expenditure paid during the period		7,869	4,024
		<u>7,869</u>	<u>4,024</u>
Ending balance 31 December 2018	3.2	159	81

RURAL BUSINESS DEVELOPMENT PROJECT
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(all amounts in EUR, unless otherwise stated)

APPENDIX A.4

DESIGNATED ACCOUNT STATEMENT

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

Account No.:

Depository Bank:

Address:

Related Credit: IFAD Loan No. I-859-BA

Currency: EUR

	Ref.	EUR
Opening balance 1 January 2018	3.2	325,132
Add:		
IFAD replenishments	B	1,462,719
		1,787,851
Deduct:		
Payments to suppliers - Expenditure under IFAD Loan		1,324,867
		1,324,867
Ending balance 31 December 2018	3.2	462,984


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APPENDIX A.5

DESIGNATED ACCOUNT STATEMENT

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

Account No.: 

Depository Bank: 

Address: 

Related Credit: IFAD Grant No. I-C-1337-BA

Currency: EUR

	Ref.	EUR
Opening balance 1 January 2018	3.2	116,663
Add:		
IFAD Grant replenished	B.2	129,635
		<u>246,298</u>
Deduct:		
Transfer to Designated sub-account	A.5	112,433
		<u>112,433</u>
Ending balance 31 December 2018	3.2	133,865

RURAL BUSINESS DEVELOPMENT PROJECT
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Consolidated Project financial statements for the year ended 31 December 2018

(all amounts in EUR, unless otherwise stated)

APPENDIX A.6

DESIGNATED SUB-ACCOUNT STATEMENT

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

Account No.:

Depository Bank:

Address:

Related Credit: IFAD Grant No. I-C-1337-BA

Currency: BAM

	Ref.	BAM	EUR
Opening balance 1 January 2018	3.2	-	-
Add:			
Transfers from Designated account	A.4	219,899	112,433
		<u>219,899</u>	<u>112,433</u>
Deduct:			
Expenditures paid during the period		219,899	112,433
		<u>219,899</u>	<u>112,433</u>
Ending balance 31 December 2018	3.2	-	-

RURAL BUSINESS DEVELOPMENT PROJECT
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(all amounts in EUR, unless otherwise stated)

APPENDIX A.7

DESIGNATED ACCOUNT STATEMENT

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

Account No.:

Depository Bank:

Address:

Related Credit: OFID Loan No. 4930

Currency: EUR

	Ref.	EUR
Opening balance 1 January 2018	3.2	90,570
Add:		
OFID Loan replenishments	B.3	2,199,677
		<u>2,290,247</u>
Deduct:		
Expenses paid during the period		460
Transfer to Designated Sub-account	A.7	2,171,733
		<u>2,172,193</u>
Ending balance 31 December 2018	3.2	118,054

RURAL BUSINESS DEVELOPMENT PROJECT
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(all amounts in EUR, unless otherwise stated)

APPENDIX A.8

DESIGNATED SUB-ACCOUNT STATEMENT

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

Account No.:

Depository Bank:

Address:

Related Credit: OFID Loan No. 4930

Currency: BAM

	Ref.	BAM	EUR
Opening balance 1 January 2018	3.2	-	-
Add:			
Transfer from Designated Account	A.6	4,247,541	2,171,733
		<u>4,247,541</u>	<u>2,171,733</u>
Deduct:			
Expenditures paid during the period		4,247,541	2,171,733
		<u>4,247,541</u>	<u>2,171,733</u>
Ending balance 31 December 2018	3.2	-	-

RURAL BUSINESS DEVELOPMENT PROJECT
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Consolidated Project financial statements for the year ended 31 December 2018
(all amounts in EUR, unless otherwise stated)

APPENDIX A.9

DESIGNATED ACCOUNT STATEMENT

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

Account No.:

Depository Bank:

Address:

Related Credit: IFAD Grant No. I-C-1337-BA

Currency: EUR

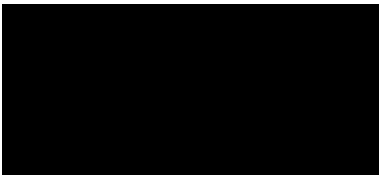
	Ref.	EUR
Opening balance 1 January 2018	3.2	150,000
Add:		
IFAD Grant replenishments		-
		150,000
Deduct:		
Payments to suppliers - Expenditure under IFAD Grant		27,108
		27,108
Ending balance 31 December 2018	3.2	122,892

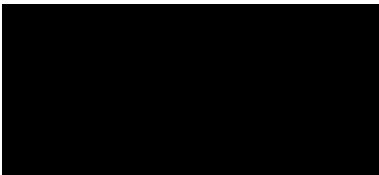
RURAL BUSINESS DEVELOPMENT PROJECT
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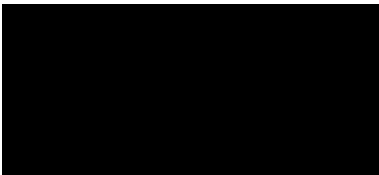
APPENDIX A.10

LOCAL BANK ACCOUNT STATEMENT

Account owned by: Ministry of Agriculture, Water Management and Forestry of FBiH

Account No.: 

Depository Bank: 

Address: 

Related Credit: Government contribution - FB&H

Currency: BAM

	Ref.	BAM	EUR
Opening balance 1 January 2018	3.2	86,216	44,081
Add:			
Government replenishments		973,000	497,487
		<u>1,059,216</u>	<u>541,568</u>
Deduct:			
Expenditures paid during the period		830,891	424,828
		<u>830,891</u>	<u>424,828</u>
Ending balance 31 December 2018	3.2	228,324	116,740

RURAL BUSINESS DEVELOPMENT PROJECT
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APPENDIX A.11

LOCAL BANK ACCOUNT STATEMENT

Account owned by: Ministry of Agriculture, Forestry and Water Management of RS

Account No.:

Depository Bank:

Address:

Related Credit: Government contribution - RS

Currency: BAM

	Ref.	BAM	EUR
Opening balance 1 January 2018	3.2	44,855	22,935
Add:			
Government Contribution		972,472	497,217
		1,017,327	520,152
Deduct:			
Payments to suppliers - Expenditure under Government VAT		26,286	13,440
		722,988	369,658
		749,274	383,098
Ending balance 31 December 2018	3.2	268,053	137,054

RURAL BUSINESS DEVELOPMENT PROJECT
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APPENDIX A.12

LOCAL BANK ACCOUNT STATEMENT

Account owned by: Ministry of Agriculture, Forestry and Water Management of RS

Account No.:

Depository Bank:

Address:

Related Credit: Beneficiary contribution - RS

Currency: BAM

	Ref.	BAM	EUR
Opening balance 1 January 2018	3.2	228,605	116,885
Add:			
Municipality Contribution		1,978,002	1,011,336
		2,206,607	1,128,221
Deduct:			
Payments to suppliers - Expenditure under Beneficiaries		1,606,511	821,396
		1,606,511	821,396
Ending balance 31 December 2018	3.2	600,096	306,825

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APPENDIX A.13

LOCAL BANK ACCOUNT STATEMENT

Account owned by: Ministry of Agriculture, Forestry and Water Management of RS

Account No.:

Depository Bank:

Address:

Related Credit: Government contribution (IFAD 562) - RS

Currency: BAM

	Ref.	BAM	EUR
Opening balance 1 January 2018	3.2	1,543,314	789,084
Add:			
Contribution		643,004	328,764
		2,186,318	1,117,848
Deduct:			
Payments to suppliers - Expenditure under Government		1,440,140	736,333
		1,440,140	736,333
Ending balance 31 December 2018	3.2	746,178	381,515

RURAL BUSINESS DEVELOPMENT PROJECT
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APPENDIX B.1 SoE Withdrawal Schedule of IFAD Loan No. I-859 BA for the year ended 31 December 2018

	Initial deposit	Enterprise Support Fund	Revolving Investment Fund	Civil works	National Technical assistance, training, workshops and studies	Vehicle and Equipment	Incremental operating costs	Total application	Total disbursed
Previous years									
FB&H	1,000,000	51,300	1,717,485	106,065	209,244	48,210	533,051	2,665,356	3,211,864
RS	500,000	-	-	-	72,648	-	255,235	327,883	653,015
Total	1,500,000	51,300	1,717,485	106,065	281,892	48,210	788,286	2,993,239	3,864,879
Application 5 (FB&H)	875,000	-	-	-	-	-	-	-	875,000
Application 4 (RS)	500,000	-	-	-	-	-	-	-	500,000
Total initial deposit	1,375,000	-	-	-	-	-	-	-	1,375,000
Total direct payments 2018	-	-	-	-	-	-	-	-	-
Application 3 (RS)	-	-	-	-	-	-	-	-	174,868
Application 5 (RS)	-	-	-	608,886	65,008	33,041	80,916	787,851	787,851
Application 6 (FB&H)*	-	-	359,294	56	11,397	34,070	84,174	488,991	942,483
Application 7 (FB&H)	-	-	619,543	84,675	322,295	44,390	81,291	1,152,194	1,152,194
Return of more transferred funds (FB&H)	-	-	-	-	-	-	-	-	(349,450)
Application 6 (RS)	-	46,789	-	427,111	16,812	17,384	28,814	536,910	-
Application 8 (FB&H)**	-	73,240	245,534	127,966	-	-	140,143	586,883	-
Total SoE application 2018	-	120,029	1,224,371	1,248,694	415,512	128,885	415,338	3,552,829	2,707,946
Cumulative 2018	1,375,000	120,029	1,224,371	1,248,694	415,512	128,885	415,338	3,552,829	4,082,946
Cumulative as of 31 December 2018	2,875,000	171,329	2,941,856	1,354,759	697,405	177,096	1,203,624	6,546,068	7,947,824

* Application No.6 (FB&H) – expenses made in 2017 but replenished in 2018 where presented within Previous years. Amount presented within Total SoE applications 2018 for Application 6 refers to remaining amount as of this application, for costs incurred during 2018.

** Application No.8 (FB&H) – expenses made in 2018 that will be submitted for replenishment in 2019.

RURAL BUSINESS DEVELOPMENT PROJECT
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(all amounts in EUR, unless otherwise stated)

APPENDIX B.2 SoE Withdrawal Schedule of IFAD Grant No. I-C-1337-BA for the year ended 31 December 2018

	Initial deposit	Enterprise Support Fund	National Technical assistance, training, workshops and studies	Vehicle and Equipment	Total application	Total disbursed
Previous years						
FB&H	150,000	35,678	37,360	11,454	84,493	201,156
RS	150,000	-	-	-	-	150,000
Total	300,000	35,678	37,360	11,454	84,493	351,156
Total direct payments 2018	-	-	-	-	-	-
Application 2 (RS)	-	14,889	12,219	-	27,108	-
Application 3 (FB&H)*	-	-	89,491	6,807	96,298	129,635
Application 4 (FB&H)**	-	4,726	11,409	-	16,135	-
Total SoE application 2018	-	19,615	113,119	6,807	139,541	129,635
Cumulative 2018	-	19,615	113,119	6,807	139,541	129,635
Cumulative as of 31 December 2018	300,000	55,293	150,479	18,262	224,034	480,791

* Application No.3 (FB&H) – expenses made in 2017 but replenished in 2018 where presented within Previous years. Amount presented within Total SoE applications 2018 for Application 3 refers to remaining amount as of this application, for costs incurred during 2018.

** Application No.4 (FB&H)– expenses made in 2018 that will be submitted for replenishment in 2019.

RURAL BUSINESS DEVELOPMENT PROJECT
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APPENDIX B.3 SoE Withdrawal Schedule of OFID No. 4930 for the year ended 31 December 2018

	Initial deposit	Civil works	Total application	Total disbursed
Previous years				
FB&H	1,000,000	909,430	909,430	1,000,000
Total	1,000,000	909,430	909,430	1,000,000
Total direct payments 2018	-	-	-	-
Application 2 (FB&H)*	-	77,060	77,060	986,490
Application 3 (FB&H)	-	498,476	498,476	498,476
Application 4 (FB&H)	-	714,711	714,711	714,711
Application 5 (FB&H)**	-	881,946	881,946	-
Total SoE application 2018	-	2,172,193	2,172,193	2,199,677
Cumulative 2018	-	2,172,193	2,172,193	2,199,677
Cumulative as of 31 December 2018	1,000,000	3,081,623	3,081,623	3,199,677

* Application No. 2 (FB&H) – expenses made in 2017 but replenished in 2018 where presented within Previous years. Amount presented within Total SoE applications 2018 for Application 2 refers to remaining amount as of this application, for costs incurred during 2018.

** Application No. 5 (FB&H) – expenses made in 2018 that will be submitted for replenishment in 2019.

RURAL BUSINESS DEVELOPMENT PROJECT
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APPENDIX C.1 Reconciliation between IFAD's Historic Transaction Report in XDR and IFAD Loan account in EUR according to the balance sheet as of 31 December 2018; SoE Withdrawal Schedule of IFAD Loan No. I-859-BA

	Changes in IFAD Loan (in XDR)	Exchange rate used	Changes in IFAD Loan (in EUR)
Original amount	8,050,000		9,663,813
Withdrawal 1 (FB&H)	793,739	1.25986	1,000,000
Withdrawal 1 (RS)	396,869	1.25986	500,000
Total disbursed in 2016	1,190,608		1,500,000
Withdrawal 2 (FB&H)	560,396	1.27860	716,522
Withdrawal 2 (RS)	119,672	1.27860	153,015
Withdrawal 3 (FB&H)	606,193	1.19091	721,921
Withdrawal 4 (FB&H)	646,008	1.19723	773,421
Total disbursed in 2017	1,932,269		2,364,879
Withdrawal 3 (RS)	148,701	1.17597	174,868
Withdrawal 4 (RS)	415,939	1.20210	500,000
Withdrawal 5 (RS)	646,299	1.21902	787,851
Withdrawal 5 (FB&H)	744,313	1.17558	875,000
Withdrawal 6 (FB&H)	781,495	1.20600	942,483
Withdrawal (FB&H)	965,764	1.19304	1,152,194
Return of more transferred funds	(292,908)	1.19304	(349,450)
Total disbursed in 2018	3,409,603		4,082,946
Cumulative disbursements	6,532,480		7,947,825
Calculated undisbursed balance as of 31 December 2018	1,517,520		1,715,989
Undisbursed balance as per IFAD's Historic Transaction Report	1,517,520	1.21882	1,849,584
Potential exchange rate gain			133,595

RURAL BUSINESS DEVELOPMENT PROJECT
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(all amounts in EUR, unless otherwise stated)

APPENDIX C.2 Reconciliation between IFAD's Historic Transaction Report in XDR and IFAD Grant account in EUR according to the balance sheet as of 31 December 2018; SoE Withdrawal Schedule of IFAD Grant No. I-C-1337-BA

	Changes in IFAD Grant (in XDR)	Exchange rate used	Changes in IFAD Grant (in EUR)
Original amount	500,000		587,730
Withdrawal 1 (FB&H)	118,898	1.26159	150,000
Withdrawal 1 (RS)	118,898	1.26159	150,000
Total disbursed in 2016	237,796		300,000
Withdrawal 2 (FB&H)	42,838	1.19417	51,156
Total disbursed in 2017	42,838		51,156
Withdrawal 3 (FB&H)	106,258	1.22000	129,635
Total disbursed in 2018	106,258		129,635
Cumulative disbursements	386,892		480,791
Calculated undisbursed balance as of 31 December 2018	113,108		106,939
Undisbursed balance as per IFAD's Historic Transaction Report	113,108	1.214452	137,714
Potential exchange rate gain			30,775

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APPENDIX C.3 Reconciliation between OFID's Historic Transaction Report in USD and OFID Loan account in EUR according to the balance sheet as of 31 December 2018; SoE Withdrawal Schedule of OFID Loan No. 4930

	Changes in OFID Loan (in USD)	Exchange rate used	Changes in OFID Loan (in EUR)
Original amount	5,350,000	0.73272	3,920,075
Withdrawal 1	1,178,000	0.84890	1,000,000
Total disbursed in 2017	1,178,000		1,000,000
Withdrawal 2 (FB&H)	1,161,986	0.84897	986,490
Withdrawal 3 (FB&H)	588,601	0.84688	498,476
Withdrawal 4 (FB&H)	814,485	0.87750	714,711
Total disbursed in 2018	2,565,072		2,199,677
Cumulative disbursements	3,743,072		3,199,677
Calculated undisbursed balance as of 31 December 2018	1,606,928		720,398
Undisbursed balance as per IFAD's Historic Transaction Report	1,606,928	0.87097	1,399,586
Potential exchange rate gain			679,188