

**Bosnia and Herzegovina: Third Review Under the Stand-By Arrangement and Request for Waiver of Applicability of a Performance Criterion—Staff Report and Press Release.**

In the context of the third review under the Stand-By Arrangement and request for waiver of applicability of a performance criterion, the following documents have been released and are included in this package:

- The staff report for the third review under Stand-By Arrangement and request for waiver of applicability of a performance criterion, prepared by a staff team of the IMF, following discussions that ended on May 24, 2013, with the officials of Bosnia and Herzegovina on economic developments and policies. Based on information available at the time of these discussions, the staff report was completed on June 13, 2013. The views expressed in the staff report are those of the staff team and do not necessarily reflect the views of the Executive Board of the IMF.
- A Press Release dated June 28.

The document listed below has been or will be separately released.

Letter of Intent sent to the IMF by the authorities of Bosnia and Herzegovina\*

\*Also included in Staff Report

The policy of publication of staff reports and other documents allows for the deletion of market-sensitive information.

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# BOSNIA AND HERZEGOVINA

## THIRD REVIEW UNDER THE STAND-BY ARRANGEMENT AND REQUEST FOR WAIVER OF APPLICABILITY OF A PERFORMANCE CRITERION

June 13, 2013

### KEY ISSUES

**Stand-By Arrangement (SBA):** The Board approved Bosnia and Herzegovina's (BiH) request for a two-year Stand-By Arrangement (SBA) with access of SDR 338.2 million (200 percent of quota) on September 26, 2012. The second review was completed on May 6, 2013 and SDR 135.28 million (80 percent of quota) has been disbursed so far. SDR 33.82 million (20 percent of quota) would become available after completion of the third review.

**Program performance:** Good progress has been made under the SBA although the challenging political situation continued to complicate the implementation of measures under the program. All end-March 2013 performance criteria (PCs) were met, except that data to assess the criterion on the non-accumulation of domestic arrears by the general governments of the Federation and the Republika Srpska are not yet available, due to delays in reporting by lower levels of government. In light of this difficulty and the fact that there is no indication that this PC was not met, the authorities are requesting a waiver of applicability of this end-March PC for the general governments of the Federation and the Republika Srpska. Continued progress was made in implementing structural reforms, although there have been some delays.

**Outlook and risks:** Economic activity appears to be bottoming out and modest growth of ½ percent continues to be projected for 2013, but external and domestic risks to the growth outlook, while reduced, remain substantial. The banking system has remained profitable and adequately capitalized at the aggregate level, but the impact of subdued domestic activity and rising non-performing loans is being felt across the system.

**Staff's view:** On the basis of the strong performance so far and the authorities' commitment to their economic policies for 2013, staff recommends the completion of the third review. Staff also supports the request for a waiver of applicability of a performance criterion.

Approved By  
**Aasim M. Husain and  
 Masato Miyazaki**

A staff team comprising Messrs. van Rooden (head), Zhan, Llaudes (all EUR), Ms. Richmond (FAD), and Ms. Maslova (SPR) visited Banja Luka and Sarajevo during May 15–24, 2013. Mr. Atoyán (resident representative) and local staff assisted the mission. Mr. Husain (EUR) attended some of policy discussions. The team met with: at the State level: Chairman of the Council of Ministers Bevanda, Minister of Finance and Treasury Špirić, and Central Bank Governor Kozarić; in the Federation of BiH: Prime Minister Nikšić and Finance Minister Krajina; and in the Republika Srpska: Prime Minister Cvijanović and Finance Minister Tegeltija. Staff also met with other senior officials and representatives of the private sector and the diplomatic community. Mr. Morán and Ms. Nguyen (both EUR) assisted with the preparation of this report.

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## RECENT DEVELOPMENTS, OUTLOOK, AND RISKS

1. **The economy is showing tentative signs of recovery.** Industrial production and exports rose markedly in the first quarter of 2013 compared to the same period last year. While this reflected to a large extent a much milder winter and higher water levels that boosted electricity production and exports, prospects for a modest economic recovery this year, by around ½ percent, have improved. Inflation continued to decline to ½ percent in April, owing to lower food and fuel prices. The unemployment rate, however, inched up further, to over 28 percent.

BiH: Selected High-Frequency Indicators, 2012–13

Indicator	Mar-12	Jun-12	Sep-12	Dec-12	Mar-13	Latest
	(Change, ytd, percent unless otherwise noted)					
RS Real GDP <sup>1</sup>	-0.9	-0.6	-0.9	-0.6	...	...
Industrial production (real)	-6.0	-4.4	-4.6	-4.3	6.6	7.8
Capital Goods	-16.9	-8.3	-1.0	-0.5	24.6	12.6
Private sector employment	-1.7	-1.6	-1.7	-1.8	-1.9	-1.8
Value-added tax revenues (gross)	-0.6	-1.5	0.2	-0.1	0.6	1.0
Real net private sector wage	-0.4	-0.7	-0.8	-4.5	-1.0	...
Imports (nominal), of which	0.2	-0.7	-0.3	-1.8	0.6	-0.4
Capital goods	-1.5	0.4	-1.2	-3.6	0.0	-1.3
Consumer non-durables	-1.5	0.0	1.5	1.7	6.3	5.9
Exports (nominal)	-10.6	-5.1	-4.7	-4.4	9.7	12.5
Headline inflation	2.3	2.2	2.1	2.0	0.8	0.6
Core inflation	0.6	0.6	0.6	0.6	-0.4	-0.4

Sources: BiH authorities; and IMF staff estimates.

<sup>1</sup> Percent change over the same quarter in previous year.

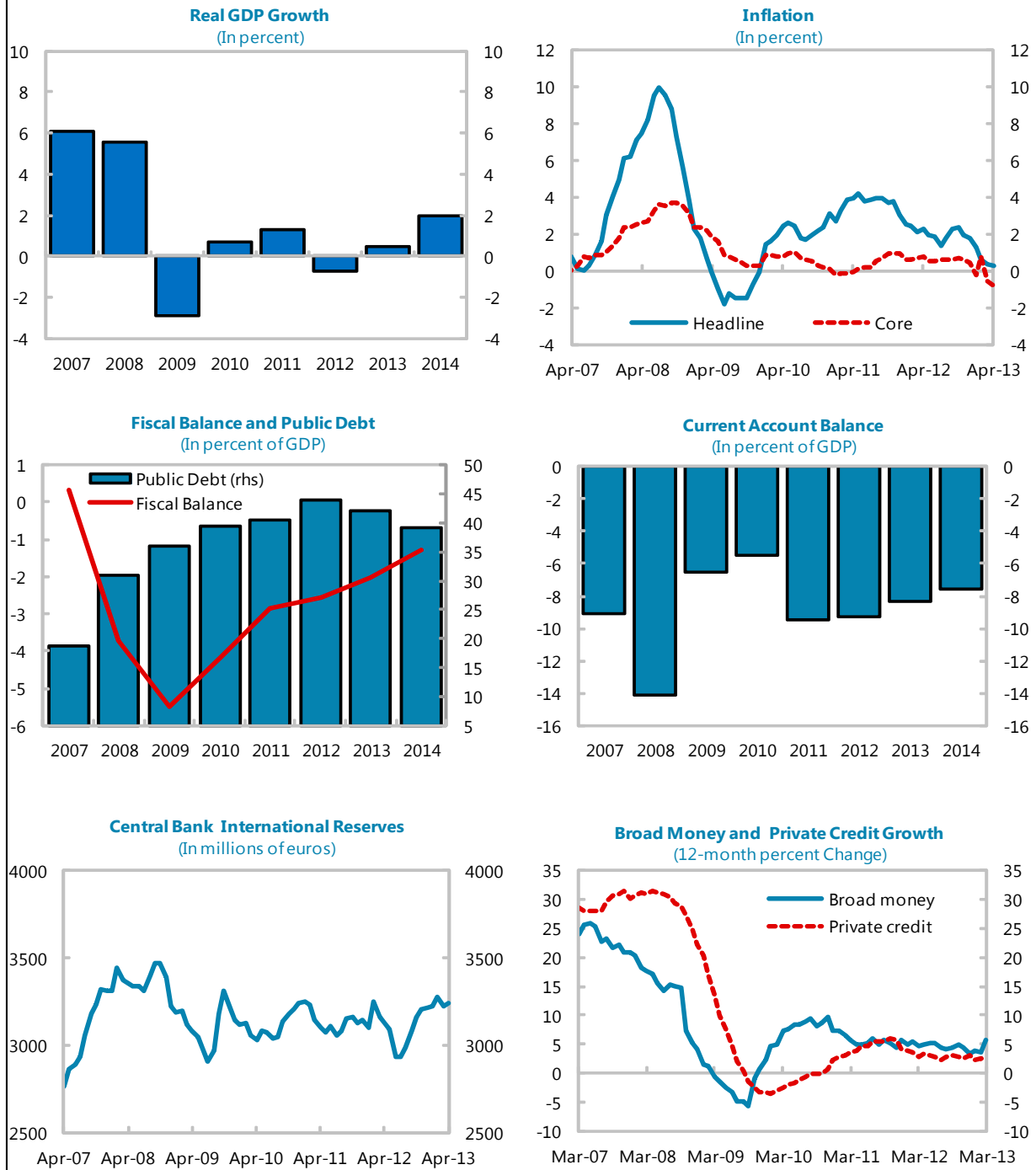
2. **Looking beyond 2013, growth is expected to pick up in line with a projected gradual recovery in Europe.** Growth in BiH is expected to be driven by an increase in exports that combined with large and stable inflows of remittances will boost incomes and thus consumption and imports. Public investment in infrastructure projects should also support economic activity. Growth rates are expected to remain below pre-crisis levels, however, partly as bank lending will likely expand at a more modest pace than before the crisis and there is no room for fiscal stimulus. A faster pace of economic growth would require substantial progress in implementing structural reforms.

3. **Downside risks to the outlook remain significant.** A difficult political situation continues to pose significant risks to the timely implementation of policies envisaged under the program. Stalled attempts to reshuffle the cabinet in the Federation have created a political gridlock, making it difficult for the government to take major decisions. On the external side, a re-intensification of the euro area crisis or sustained weak growth in Europe would significantly affect BiH's growth outlook. On the other hand, a faster recovery in Europe would boost external demand and private capital inflows.

## PERFORMANCE UNDER THE PROGRAM

4. **All end-March 2013 performance criteria on fiscal balances were met.** Despite slightly lower than forecasted indirect tax revenues due to unexpectedly high VAT refunds (see paragraph 7), tight control of current spending and delays in the execution of capital projects helped the entity central governments observe the end-March performance criteria on fiscal balances (net lending) by comfortable margins. The Institutions of BiH met its target as well, aided by higher than projected revenues and lower spending on wages. Nevertheless, the general government overall end-March deficit target—an indicative target—is estimated to have been

**Figure 1. BiH: Selected Economic Indicators, 2007–14**



Sources: BiH authorities; and IMF staff estimates and projections.

missed due to faster than projected capital spending, mainly by the highway and road funds in the Federation and Republika Srpska (RS). This largely reflects the uncertainty about the implementation of major road construction projects, not only with regard to the timing of disbursements by the external financiers of these projects, but even more so with regard to the subsequent drawdown of these resources by the road and highway funds, which also depends on weather conditions. Nevertheless, oversight over these projects could be improved through better coordination with the highway and road funds. As reported at the time of the second review, the authorities did not contract or guarantee any new non-concessional short-term external debt, nor did they accumulate any external payment arrears.

5. **The assessment of the performance criterion on the non-accumulation of domestic arrears for entity general governments continued to be complicated by weaknesses in data reporting.** While the Institutions of BiH, and the central governments of the Federation and the RS did not accumulate any new arrears through end-March 2013, data—neither for the period through end-December 2012, nor for the period through end-March 2013—are not yet available for lower levels of government, extra-budgetary funds, and public companies. Given that there is no indication that this performance criterion was not met, the authorities are requesting a waiver of applicability of this end-March performance criterion.<sup>1</sup> Going forward, both entity authorities are taking steps to improve the monitoring of domestic arrears (see paragraph 10).

6. **Steady progress continued to be made toward implementing structural reforms.** All but one of the structural benchmarks were observed, although with delays in some cases:

- The authorities continued to adhere to the currency board arrangement (a continuous structural benchmark);
- The authorities did not introduce any new privileged or special rights for retirement (a continuous structural benchmark);
- The consolidated general governments accounts for end-December 2012 and end-March 2013 were published on the website of the Institutions of BiH (a quarterly structural benchmark);
- The eligibility audits of recipients of war-related benefits continued and the summary reports for the first quarter of 2013 have been posted on government web sites (a quarterly structural benchmark);
- The new comprehensive law on privileged pensions for war veterans, adopted by the Federation parliament in April (a prior action for the second review), has become effective and the process of requalification of existing beneficiaries and screening of new entrants has started.

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<sup>1</sup> The Executive Board during the second review approved the authorities' request to modify this performance criterion, to apply only to the Institutions of BiH and to the central governments of the Federation and the Republika Srpska, and to establish indicative ceilings on changes in "other accounts payable" for the general governments of the Federation and the Republika Srpska to align program targets directly to the reporting framework (EBS/13/45). This change, however, will only come into effect with the end-June targets, and hence the request for a waiver of the existing end-March performance criterion.

- Amendments to the law on the Deposit Insurance Agency (submission of which had been a structural benchmark for end-March) have been approved by the BiH parliament, enhancing the coverage and effectiveness of the deposit insurance system.
- The four tax agencies signed a Memorandum of Understanding on the exchange of taxpayer information (an end-May structural benchmark), with a view to facilitating the permanent, unfettered, and automated sharing of taxpayer records, starting January 2014.
- The preparation of a new budget framework law in the Federation (an end-May structural benchmark), however, required further consultations with Fund staff before a revised draft that was consistent with staff recommendations was approved by the government in Mid-June (see paragraph 10). Parliamentary approval of this law is now expected by end-September 2013 (a new proposed deadline for this structural benchmark).
- Amendments to the RS Banking Agency Law have been submitted to parliament and are expected to be adopted before end-June (an end-June structural benchmark), aligning treatment of confidential information with EU standards. With similar amendments already having been adopted in the Federation, this will help to enhance cooperation with foreign bank supervisors.
- Amendments to the banking laws to limit the period of provisional administration to one year have also been submitted to the entity parliaments and are expected to be adopted by end-June as well (end-June structural benchmarks).

## POLICY DISCUSSIONS

### A. Fiscal Policy: Improving Revenue Collection and Continuing Fiscal Consolidation

7. **With signs of the onset of a modest economic recovery, the gradual reduction in the general government deficit this year to around 2 percent of GDP—from an estimated 2.6 percent of GDP in 2012—remains appropriate.** Nonetheless, while economic activity appears to be picking up, indirect tax collection has lagged behind so far this year, largely due to growing refunds and tax arrears. Meeting the fiscal targets will therefore require increased efforts to improve revenue collection, particularly by addressing VAT fraud and collecting tax arrears, by upgrading the Indirect Tax Authority's (ITA) risk management and fraud detection framework, as well as by increasing excise rates on some tobacco products. Achieving the targets will also require continued expenditure restraint and securing the envisaged one-off dividend payment from the public electricity distribution company TRANSCO (equivalent to about 0.3 percent of GDP).

8. **If downside risks to the economy were yet to materialize, automatic stabilizers could be allowed to work to some extent on the revenue side.** In that case, in line with earlier policy advice, allowing the deficit of the consolidated general government to remain at around 2½ percent of GDP would not materially change BiH's medium-term debt outlook. In the event of a sharper downturn, possible contingency measures include a reduction in those pensions and social benefits



that exceed the social minimum—although this would be politically difficult—and delaying capital spending. On the other hand, should the economy grow faster than envisaged and revenues were to over-perform, adhering to the expenditure envelopes would allow for a faster reduction in the overall deficit.

9. **Looking ahead, the authorities' draft Global Fiscal Framework for 2014-16 envisages continued fiscal consolidation, mainly through expenditure constraints.**<sup>2</sup> This medium-term fiscal framework, which is expected to be adopted in the coming month, is mainly to determine the overall spending envelope and revenue share for the budget of the Institutions of BiH for 2014–16, but it also sets indicative key parameters for the entities' budgets. The framework sets spending envelopes consistent with a further gradual reduction of the consolidated general government deficit by about ¾ percent of GDP in each the coming years, to reach a balanced budget by 2016.

## B. Fiscal Structural Reforms: Advancing Entitlement Reform and Strengthening Public Financial Management

10. **The authorities continue to move ahead with reforms of entitlement programs and efforts to strengthen public financial management, to underpin the fiscal consolidation process:**

- **The Federation authorities have started with the implementation of the new law on privileged pensions for war veterans.** The new law was designed to improve social fairness, contain the fiscal costs, and provide stronger safeguards for the financial health of the old-age pension system. The process of requalification of existing beneficiaries and screening new entrants has started, and benefit levels of existing beneficiaries are being substantially reduced. It will be important to ensure that sufficient administrative resources are allocated to make sure that these processes can be completed within the prescribed deadlines. Strong political will continues to be required to ensure the full implementation of this law.
- **Further progress has also been made in the reform of old-age pensions in the Federation.** Given the challenging demographics, pension reform is imperative to ensure the longer-term sustainability of the system. The key objective of the reform is to encourage workers to stay longer in the labor force—including by raising the retirement age<sup>3</sup>—and increase the number of contributors. In this context, the Federation government has approved a pension reform strategy, developed with the assistance of the World Bank, consistent with these objectives, and plans to submit this strategy, together with an action plan, to parliament in July 2013.
- **The RS authorities have started to address the rising costs of health care.** A number of cost-cutting measures are being implemented, including reduced sick leave, wage cuts for health

<sup>2</sup> Fiscal targets for 2014 will be discussed during the fourth review in the context of the discussions on the 2014 government budgets.

<sup>3</sup> The current retirement age is 65, but men with 40 years of work history can retire at 60 and women at 55.

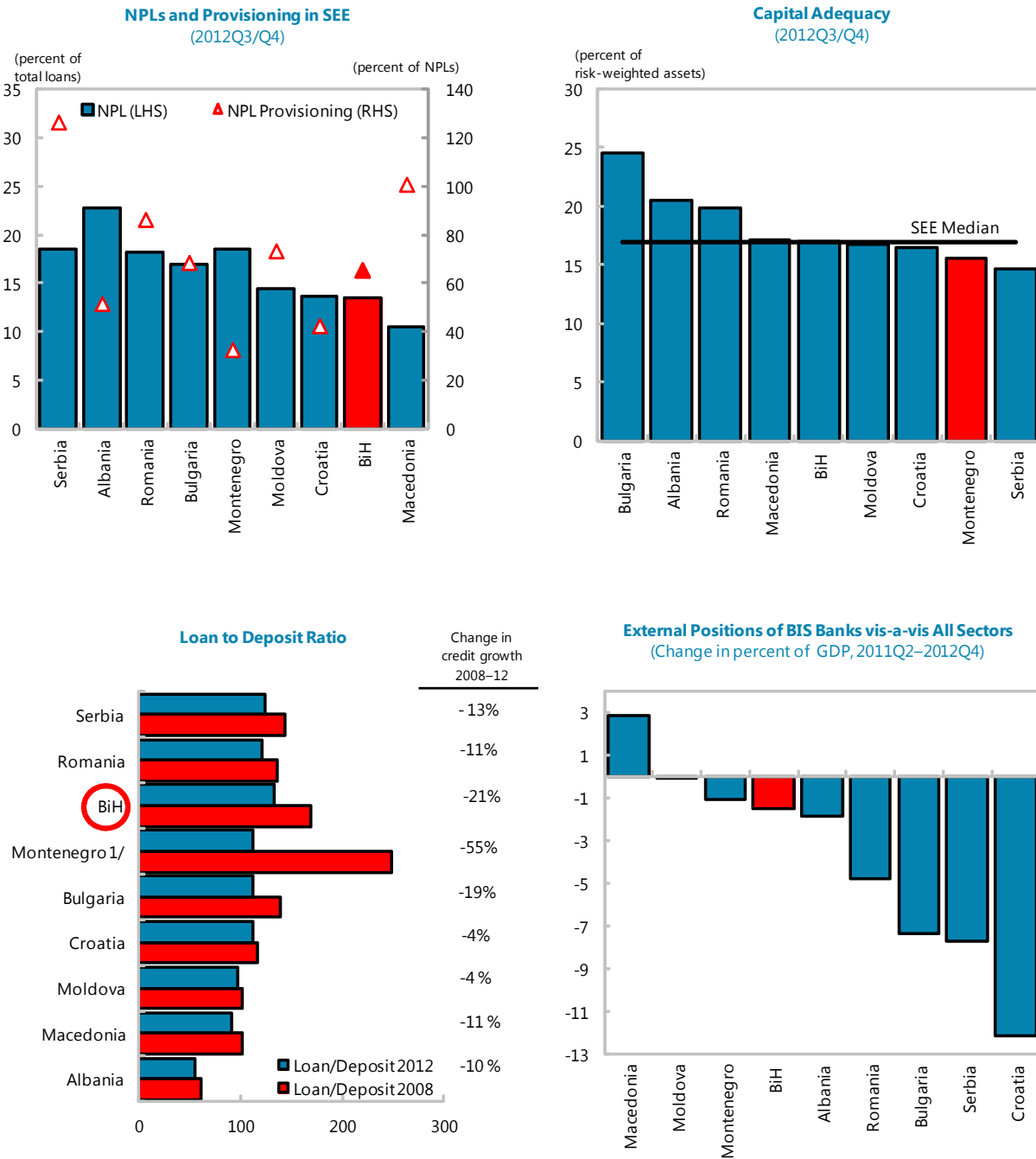
fund staff, lower prices for prescriptions and expansion of e-prescriptions, negotiations with Serbia over the cost of services provided to RS residents, and reducing staffing levels in the health sector.

- **Controls over and reporting by lower levels of government are being improved.** The Federation government has approved a new draft law on budgets, with the assistance of Fund staff, aimed at strengthening control over—and monitoring of—spending by lower levels of government, extra-budgetary funds, and public companies. Parliamentary approval of the law is expected by end-September 2013 (the new proposed deadline for this structural benchmark). Key improvements in the new law include: (i) a new coordination and consultation process between the various levels of government; (ii) the requirement that budgets of lower levels of government include an opinion by the Federation finance ministry; (iii) a new fiscal rule for all levels of government, requiring a balanced current budget, and enhancing the Federation finance ministry's control over all borrowing; (iv) enhanced spending controls; (v) the inclusion of financial plans and outcomes of public companies and extra-budgetary funds in key budget documents; and (vi) improved cash management procedures. In addition, treasury systems in both entities will continue to be gradually expanded to cover all cantons, municipalities, and extra-budgetary funds. Also, the Institutions of BiH and entity governments will establish a common definition of spending arrears and require that all due dates of invoices be entered into the treasury system.
- **A new law on public procurement will be submitted to the BiH parliament by end-September 2013 to strengthen governance and enhance transparency.** The draft has been prepared with the assistance of the EU and the OECD, and will bring procurement practices in BiH in line with those in the EU.

## C. Ensuring Financial Sector Stability

11. **The banking system is showing the effects of subdued economic activity as lending remains muted and non-performing loans (NPLs) continue to creep up.** Financial sector indicators through end-March 2013 suggest that the banking system—predominantly owned by Austrian and Italian banks—remains profitable and adequately capitalized at the aggregate level. Foreign parent banks' exposure to their BiH subsidiaries has broadly stabilized over the last several quarters. However, NPLs have edged up to around 14 percent and are likely to rise further in the near future, although provisioning stands unchanged at around 65 percent of non-performing assets. With credit growth expected to pick up only modestly, reflecting banks tightening of credit standards and weak credit demand, profitability in the sector will be adversely impacted. In this context, the banking agencies have engaged some smaller banks that exhibited tighter capital positions under the stress tests with more severe shock scenarios. A number of these banks already increased their capital. One bank in the RS, however, failed to meet minimum capital requirements after writing down non-performing loans, and the RS authorities are considering options to deal

**Figure 2. Financial Indicators in SEE**



Sources: BIS Locational Statistics, BiH authorities and IMF staff calculations.  
1/ Based on 2007 values.

with this bank, including ways to attract new capital. While the bank is relatively small—accounting for less than 4 percent of RS banking system assets—the authorities are concerned about possible spillover effects on the system from a depositors’ loss in confidence. Fund staff has been actively engaged with the authorities providing a strategy that would limit the potential fiscal costs without creating undue risks to the banking system.

**12. The authorities are taking further measures to strengthen bank supervision and the crisis resolution framework. Specifically:**

- The Central Bank of Bosnia and Herzegovina (CBBH) and the Banking Agencies completed the identification of systemically important banks with a view to closely monitoring financial sector developments and better assessing potential risks. The design and implementation of bottom-up stress tests for this set of banks is also envisaged.
- The changes to Banking Agency laws to bring the treatment of confidential information in line with EU practices will help the authorities enhance cooperation with foreign bank supervisors, including by signing of Memoranda of Understanding. In addition, to facilitate information exchange among home and host country supervisors and parent banks, the authorities are planning to host a cross-border forum this fall.
- To further strengthen the crisis preparedness toolkit, the authorities, with the assistance of Fund staff, will agree on a set of detailed procedures describing the responsibilities of and the coordination between responsible institutions in the event of a systemic financial crisis (a new structural benchmark for end-December 2013). The members of the Standing Committee on Financial Stability will be responsible for the development of such overarching contingency plans for financial stability.

**13. Addressing high levels of NPLs in BiH will require a comprehensive strategy, including changes to the legal and regulatory frameworks.** The authorities, together with Fund staff, have conducted a thorough review of the NPL resolution framework, including an evaluation of laws and regulations as well as current practices. The review has identified a number of measures to be implemented over time with further support from IMF staff. In particular:

- Maintaining adequate provisioning levels is key to absorbing possible deteriorations in asset quality. A new law on corporate income tax in the Federation should clarify the tax treatment of loan loss provisioning by banks with a view to encouraging such provisioning. The RS will also review and enhance its tax treatment of loan loss provisioning to achieve the same objective.
- The sale of NPLs to third parties, an effective method to improve liquidity management in banks and cleaning banks’ balance sheets, will be facilitated by submitting legislation, in line with Fund staff recommendations, regulating the establishment and supervision of asset management companies to the respective entity parliaments (new structural benchmarks for end-June 2014). This new legislation will fill the vacuum that currently exists and clear up the uncertainty that currently surrounds loan sales.

- Other legislation influencing the NPL resolution framework will also be reviewed and amended as needed. In particular, the corporate insolvency laws should be revised to: (i) strengthen restructuring provisions so that companies that are viable can be quickly reorganized; (ii) reduce barriers to entry into bankruptcy, as these delays lessen both the chances of a successful reorganization and creditors' recoveries; and (iii) speed up bankruptcy proceedings which can currently extend for many years.
- Consideration should also be given to establishing an out-of-court restructuring mechanism so that viable companies have a better chance of remaining productive.
- Finally, the law on protection of consumers of financial services under preparation in the Federation should clarify the rights and obligations of such consumers with a view to ensuring well-balanced rights and obligations of both lenders and borrowers.

14. **A comprehensive overhaul of both entities' banking laws is needed to keep up with ever more complex financial markets.** Financial sector developments in BiH have highlighted the need to further strengthen financial sector legislation and regulation. Thus, the entities' Ministries of Finance and Banking Agencies, and the Deposit Insurance Agency, with assistance of the Fund staff, will prepare and submit to the respective entity parliaments new laws on banks and other lending institutions in line with Fund staff recommendations (new structural benchmarks for end-June 2014). These laws, meant to replace the existing banking laws, will represent a significant step toward modernizing and harmonizing BiH's legal and regulatory framework on banks with EU legislation and will also further expand the toolkit for dealing with problem banks. The Deposit Insurance Agency Law will also be reviewed and amended as needed to guarantee full consistency with the new laws. Moreover, the establishment of a bank restructuring agency should also be considered.

## D. Enhancing Private Sector Development

15. **Creating a vibrant private sector is key to foster job creation and reduce unemployment.** Unemployment remains persistently high at around 28 percent, with youth unemployment exceeding 60 percent. In recent months, despite some tentative signs of an economic turnaround, employment prospects have not improved. The authorities are mindful of the need to take bold steps and are taking a multi-pronged approach in advancing labor market and regulatory reforms so as to improve job creation and enhance competitiveness. These include:

- Simplification of business registration and regulation. The authorities are pressing ahead with facilitating the start-up of new businesses. The establishment of a one-stop shop for business registration in the RS is on-track to become operational late this year (a structural benchmark for end-September 2013). Similarly, the Federation is preparing a new law on companies with a view to simplifying business registration and improving corporate governance.
- Streamlining the tax and contribution payment procedures. The authorities of the BiH Institutions continue to work on enabling laws and regulations for digital signature and expect its application throughout BiH by early 2014. Similarly, the Federation authorities, with help from

USAID, are testing a more centralized collection and reporting system for social contributions, with a view to streamlining this process and reducing compliance costs for businesses.

- Revamping labor laws. The current labor laws make it difficult for businesses to adjust staffing levels to changing economic circumstances and provide little incentives to provide job opportunities especially to the younger generation. The authorities in both entities have started the process of drafting new labor laws with a view to creating an environment more conducive to job creation, while providing adequate safeguards for workers' rights. Close consultation with the social partners will be crucial to achieve these objectives. The authorities aim to have these new labor laws adopted by the respective parliaments by end-December 2013 (new structural benchmarks for end-December 2013).

16. **The authorities have been making progress in harmonizing agricultural export standards ahead of Croatia's accession to the EU and in WTO accession.** While the value of the affected agricultural exports is relatively limited, the sector provides many jobs. After some initial delays, it is expected that the harmonization of standards on agricultural products with EU requirements and the preparation of border control points will proceed, thereby limiting disruptions of trade flows. Meanwhile, the authorities have already signed bilateral agreements with many WTO members, including the EU, and hope to conclude membership negotiations later in the year. This is expected to boost external trade and further integrate BiH's economy with the rest of the world.

## E. Program Issues

17. **BiH has sufficient capacity to discharge its obligations to the Fund in a timely manner.** By the end of the SBA, the level of Fund credit outstanding is projected to be slightly below 3 percent of GDP (12¼ percent of gross international reserves), and Fund repurchases and charges would peak at 44 percent of total debt service in 2013. The country so far has an excellent record of meeting Fund financial obligations. With the expectation that strong performance under the program will continue, BiH will return to a sustainable medium-term growth path. This provides assurances that BiH should continue to be able to service its obligations to the Fund on time.

## STAFF APPRAISAL

18. **The authorities continue to make good progress under the SBA.** The economy is showing signs of recovery, fiscal policy is on track, and steady progress is being made in implementing structural reforms. Still, some reforms are faced with delays and accelerating the pace of reforms will be crucial if BiH is to achieve higher rates of economic growth and the high level of unemployment is to be brought down. In this context, the authorities' plans to enhance the functioning of the labor market and improve the business environment are welcome.

19. **With signs of an economic recovery, continuing on the path of fiscal consolidation remains appropriate given the need to ensure medium-term fiscal sustainability.** Increased efforts are urgently needed to improve revenue collection, however, in order to be able to achieve

the 2013 deficit targets. And while risks to the outlook have become more balanced, downside risks remain significant. If these were to materialize, a slightly slower pace of fiscal adjustment could be temporarily warranted, by allowing automatic stabilizers to work to some extent on the revenue side. On the other hand, should the economy grow faster than envisaged, adhering to the spending envelopes would allow for a faster pace of fiscal consolidation.

20. **The further rise in non-performing loans calls for continued close supervision of the banking system.** The authorities' increased efforts to strengthen banking supervision, improve their readiness to deal with any banking sector difficulties, and enhance the NPL resolution framework are crucial to ensure financial sector stability. Closer coordination and cooperation with home country supervisors also remains of particular importance given the ownership structure of the banking sector.

21. **Risks to the program remain broadly unchanged.** Any delay in Europe's overall economic recovery will directly affect BiH's economic outlook through its adverse impact on exports, remittances, and capital flows. In addition, domestic political risks continue to loom large and political instability could hamper program implementation and weaken support for key structural reforms.

22. **Despite these risks, in view of the authorities' strong performance so far and their policies for the remainder of 2013 as summarized in the attached supplementary Letter of Intent of June 12, 2013, staff supports the authorities' request for the completion of the third review under the Stand-By Arrangement.** Staff also supports the authorities' request for a waiver of applicability of the end-March 2013 performance criteria on the ceiling on the accumulation of domestic arrears, as data are not yet available while there is no evidence that it was not met.

Table 1. Bosnia and Herzegovina: Selected Economic Indicators, 2010–18

	2010	2011	2012			2013		2014	2015	2016	2017	2018
			EBS/12/120	EBS/12/161	Prel.	EBS/12/161	Proj.			Proj.		
Nominal GDP (KM million)	24,773	25,666	25,970	25,885	26,362	26,797	27,748	29,165	30,978	33,197	35,464	37,873
Gross national saving (in percent of GDP)	12.2	6.8	10.9	9.0	6.3	10.0	7.6	8.7	9.4	10.1	11.4	12.8
Gross investment (in percent of GDP)	17.1	15.7	18.5	18.9	15.6	19.1	15.9	16.3	16.6	16.8	17.3	17.8
	(Percent change)											
Real GDP	0.7	1.3	0.0	-0.7	-0.7	0.5	0.5	2.0	3.5	4.0	4.0	4.0
CPI (period average)	2.1	3.7	2.2	2.5	2.0	2.4	1.8	1.8	1.9	2.0	2.2	2.2
Money and credit (end of period)												
Broad money	7.2	5.8	1.9	1.6	3.4	3.5	4.5	5.1	6.2	7.2	7.1	7.1
Credit to the private sector	2.1	4.2	1.0	0.8	2.8	3.5	5.3	5.9	7.0	8.0	7.6	7.7
	(In percent of GDP)											
Operations of the general government												
Revenue	47.0	46.5	46.5	46.4	44.8	46.3	44.5	44.7	44.9	45.0	45.2	45.3
<i>Of which: grants</i>	2.5	2.1	2.1	2.2	2.1	2.2	2.0	2.0	2.1	2.2	2.4	2.5
Expenditure	51.1	48.9	49.5	49.5	47.4	48.4	46.5	46.1	45.7	45.0	44.8	44.0
<i>Of which: investment expenditure</i>	8.0	6.3	6.4	6.7	6.0	6.6	6.3	6.5	6.7	6.8	7.1	7.4
Net lending	-4.2	-2.4	-3.0	-3.0	-2.6	-2.0	-2.0	-1.3	-0.8	0.0	0.4	1.3
Net lending, excluding interest payment	-3.5	-1.8	-2.1	-2.2	-1.8	-1.1	-1.2	-0.3	0.2	0.9	1.2	1.6
Total public debt	39.3	40.5	43.1	43.9	43.9	43.0	42.2	39.3	36.7	33.7	30.8	30.5
Domestic public debt	13.9	14.5	14.9	15.4	16.8	13.5	14.0	11.3	9.8	8.7	8.0	7.8
External public debt	25.4	26.0	28.2	28.5	27.1	29.5	28.2	28.0	26.8	25.1	22.9	22.6
	(In millions of euros)											
Balance of payments												
Exports of goods and services	3,700	4,111	5,471	3,953	4,031	4,265	4,230	4,595	4,974	5,361	5,792	6,213
Imports of goods and services	6,522	7,714	8,539	7,264	7,109	7,573	7,558	7,967	8,485	9,027	9,547	10,065
Current transfers, net	1,805	1,791	1,789	1,824	1,832	1,859	1,914	1,988	2,092	2,208	2,338	2,480
Current account balance	-695	-1,242	-1,008	-1,310	-1,253	-1,237	-1,185	-1,126	-1,152	-1,139	-1,063	-966
(In percent of GDP)	-5.5	-9.5	-7.6	-9.9	-9.3	-9.0	-8.4	-7.6	-7.3	-6.7	-5.9	-5.0
Foreign direct investment	-185.9	-272.1	200.0	-404.0	-464.2	-346.9	-401.1	-346.0	-353.1	-360.4	-372.6	-385.4
(In percent of GDP)	-1.5	-2.1	1.5	-3.1	-3.4	-2.5	-2.8	-2.3	-2.2	-2.1	-2.1	-2.0
Gross official reserves	3,303	3,285	3,229	3,245	3,326	3,285	3,394	3,520	3,577	3,563	3,561	3,830
(In months of imports)	5.4	5.4	4.3	5.1	5.3	5.0	5.1	5.0	4.8	4.5	4.3	4.5
External debt, percent of GDP	51.6	49.1	51.6	52.5	51.5	54.0	51.3	51.5	50.5	48.7	46.6	46.3
External debt service/GNFS exports (percent)	19.7	14.9	9.8	13.2	13.2	17.4	16.2	16.9	15.6	16.1	17.2	11.0

Sources: BiH authorities; and IMF staff estimates and projections.



Table 2. Bosnia and Herzegovina: Real Sector Developments, 2010–18

	2010	2011	2012	2013	2014	2015	2016	2017	2018
			Est.			Proj.			
<i>Real aggregates</i>									
	(Percent change)								
<i>Growth rates</i>									
GDP at constant 2005 prices	0.7	1.3	-0.7	0.5	2.0	3.5	4.0	4.0	4.0
Domestic demand	-3.0	1.4	-1.0	1.9	2.5	4.1	4.9	3.9	3.8
Private	-5.1	3.3	-0.3	1.5	2.4	3.9	4.9	3.4	3.6
Public	3.5	-4.0	-3.0	3.1	2.6	4.4	4.8	5.2	4.6
Consumption	0.2	3.4	-1.1	1.1	1.8	3.3	4.3	2.9	2.9
Private	-0.1	3.3	-0.6	1.0	2.0	3.3	4.5	2.8	2.9
Public	1.3	3.6	-2.7	1.4	0.9	3.0	3.4	3.2	2.7
Gross capital formation	-15.9	-8.5	-0.7	6.3	6.2	8.0	7.8	8.3	8.2
Private	-30.1	3.2	1.5	4.9	5.2	7.7	7.4	7.1	7.5
Public	9.2	-21.7	-3.9	8.7	7.7	8.5	8.3	9.9	9.3
Net Exports									
Exports of goods and services	10.1	3.5	-5.1	6.6	9.6	8.2	6.8	6.8	5.8
Imports of goods and services	-2.6	2.8	-3.8	6.9	7.2	7.3	7.3	5.3	4.8
<i>Contributions to real GDP growth</i>									
	(Year-on-year change over real GDP in previous year, in percent)								
GDP at constant 2005 prices	0.7	1.3	-0.7	0.5	2.0	3.5	4.0	4.0	4.0
Domestic demand	-3.8	1.7	-1.3	2.3	3.1	5.2	6.3	5.0	5.0
Private	-5.0	3.0	-0.3	1.4	2.3	3.8	4.7	3.3	3.5
Public	1.1	-1.3	-0.9	1.0	0.8	1.4	1.5	1.7	1.5
Consumption	0.2	3.5	-1.1	1.1	1.9	3.5	4.6	3.1	3.0
Private	-0.1	2.7	-0.5	0.8	1.7	2.8	3.8	2.4	2.4
Public	0.3	0.8	-0.6	0.3	0.2	0.7	0.8	0.7	0.6
Gross capital formation	-4.0	-1.8	-0.1	1.2	1.2	1.7	1.7	1.9	1.9
Private	-4.8	0.4	0.2	0.6	0.6	1.0	1.0	1.0	1.0
Public	0.8	-2.1	-0.3	0.6	0.6	0.7	0.7	0.9	0.9
Net Exports	4.6	-0.5	0.6	-1.8	-1.1	-1.7	-2.3	-1.0	-1.0
Exports of goods and services	3.0	1.1	-1.7	2.1	3.2	3.0	2.6	2.6	2.3
Imports of goods and services	-1.6	1.6	-2.2	3.9	4.3	4.6	4.8	3.6	3.3
<i>Deflators</i>									
	(Percent Change)								
GDP	1.6	2.3	3.4	4.7	3.0	2.6	3.0	2.7	2.7
Domestic demand	3.6	4.1	3.6	2.6	1.8	1.7	1.7	2.1	2.1
Consumption	3.2	3.7	3.7	3.0	2.6	2.1	2.0	2.5	2.5
Investment	2.3	3.7	2.9	1.1	1.2	0.6	0.6	1.3	1.4
Exports of goods and services	9.4	7.2	3.2	-1.6	-0.9	0.0	0.9	1.1	1.4
Imports of goods and services	9.7	9.3	3.7	-3.3	-1.8	-0.8	-0.9	0.4	0.6
<i>Nominal aggregates</i>									
Nominal GDP (KM million)	24,773	25,666	26,362	27,748	29,165	30,978	33,197	35,464	37,873
	(In percent of GDP)								
Consumption	105.0	108.7	108.6	107.4	106.2	105.3	104.6	103.3	102.0
Private	83.6	86.7	87.3	86.6	85.8	85.2	84.8	83.7	82.8
Public	21.4	22.1	21.3	20.8	20.4	20.1	19.8	19.6	19.2
Gross capital formation	17.1	15.7	15.6	15.9	16.3	16.6	16.8	17.3	17.8
Private	9.1	9.4	9.5	9.6	9.7	9.9	10.0	10.2	10.4
Public	8.0	6.3	6.0	6.3	6.5	6.7	6.8	7.1	7.4
National Savings	12.2	6.8	6.3	7.6	8.7	9.4	10.1	11.4	12.8
Private	9.2	4.1	4.2	3.6	4.2	4.1	4.0	4.6	6.1
Public	3.0	2.7	2.0	3.9	4.5	5.2	6.1	6.8	6.6
Saving-Investment balance	-4.9	-8.8	-9.3	-8.4	-7.6	-7.3	-6.7	-5.9	-5.0
Current account balance	-5.5	-9.5	-9.3	-8.4	-7.6	-7.3	-6.7	-5.9	-5.0
<i>Labor market</i>									
	(In percent)								
Unemployment rate (ILO definition) <sup>1</sup>	27.2	27.6	28.0	...	...	...	...	...	...

Source: BiH, FBiH and RS Statistical Agencies, and Fund staff estimates.

Notes: Nominal and real GDP series are based on the production approach.

<sup>1</sup> Based on the BiH Labor Survey. The unemployment rate based on the number of unemployed persons registered in Unemployment Offices is significantly higher.

Table 3. Bosnia and Herzegovina: Balance of Payments, 2010–18 1/

(In millions of euros, unless otherwise indicated)

	2010	2011	2012	2013	2014	2015	2016	2017	2018
			Prel.				Proj.		
Current account	-695	-1,242	-1,253	-1,185	-1,126	-1,152	-1,139	-1,063	-966
Trade balance	-2,797	-3,196	-3,261	-3,310	-3,347	-3,482	-3,635	-3,724	-3,819
Goods	-3,901	-4,267	-4,318	-4,414	-4,545	-4,754	-4,951	-5,090	-5,244
Export of goods (fob)	2,189	2,625	2,575	2,713	2,966	3,233	3,536	3,874	4,193
Import of goods (fob)	-6,090	-6,892	-6,893	-7,126	-7,510	-7,987	-8,486	-8,964	-9,437
Services (net)	1,103	1,071	1,057	1,103	1,198	1,272	1,316	1,366	1,425
Exports	1,511	1,486	1,456	1,517	1,630	1,740	1,825	1,918	2,020
Imports	-408	-414	-399	-414	-432	-469	-510	-551	-595
Primary Income (net)	298	163	176	211	232	238	288	323	373
Total credit	450	477	451	480	525	565	609	643	670
Total debit	-152	-314	-275	-269	-293	-327	-321	-320	-297
Of which, Interest payments	-170	-162	-147	-140	-161	-189	-176	-168	-138
Secondary Income (net)	1,805	1,791	1,832	1,914	1,988	2,092	2,208	2,338	2,480
Government (net)	177	152	137	173	194	224	264	314	364
Workers' remittances	989	999	1,038	1,066	1,111	1,178	1,246	1,318	1,403
Other (NGOs etc.)	718	726	738	746	753	761	768	776	784
Capital and Financial Accounts (excl. Reserves)	743	1,148	1,189	977	1,078	1,209	1,125	1,061	1,235
Capital account	199	182	153	156	160	165	170	175	181
Capital transfers (net)	199	182	153	156	160	165	170	175	181
General government	128	110	99	101	103	105	107	109	111
Other sectors	71	72	54	55	57	60	63	66	69
Financial account	-544	-966	-1,037	-821	-918	-1,044	-955	-886	-1,054
Direct investment (net)	-186	-272	-464	-401	-346	-353	-360	-373	-385
Assets	59	1	28	0	0	0	0	0	0
Liabilities	245	273	493	401	346	353	360	373	385
Portfolio investment (net)	89	23	31	0	0	0	0	0	0
Other investment (net)	-448	-717	-604	-420	-572	-691	-594	-514	-669
Assets (net)	-386	-291	-229	-62	-110	-110	-110	-110	-110
Short-term	-404	-286	-227	-60	-60	-60	-60	-60	-60
Banks	-252	-36	-111	0	0	0	0	0	0
Other sectors, excl. government and central bank	-111	-176	-107	-50	-50	-50	-50	-50	-50
Medium and long-term	18	-5	-2	-3	-50	-50	-50	-50	-50
Banks	-3	0	1	0	0	0	0	0	0
Other sectors, excl. government and central bank	21	-5	-3	-3	-50	-50	-50	-50	-50
Liabilities (net)	62	426	374	358	463	582	485	404	560
Short-term	332	209	305	177	176	180	178	176	169
General government	0	0	0	0	0	0	0	0	0
Banks	67	-62	48	2	16	16	17	18	19
Other sectors	265	271	257	175	160	164	161	158	150
Medium and long-term	-273	222	-53	180	287	401	307	228	390
Monetary authority	0	0	0	0	0	0	0	0	0
General government	427	199	211	110	46	119	2	-104	84
Disbursements of loans	508	290	335	423	400	410	360	360	360
Project	245	290	214	423	400	410	360	360	360
Budget	263	0	121	0	0	0	0	0	0
Amortization of loans	81	91	124	314	354	292	358	463	276
Banks	-558	-248	-173	18	115	118	125	133	131
Other sectors	-141	272	-90	53	126	165	180	199	175
Errors and omissions	84	78	101	0	0	0	0	0	0
Overall balance	-132	17	-37	208	48	-57	14	2	-269
Financing	132	-17	37	-208	-48	57	-14	-2	269
Change in net international reserves ("+"=increase)	132	-17	37	69	126	57	-14	-2	269
External financing gap				276	174				
IMF				176	98				
World Bank				0	76				
EU				100	0				
<i>Memorandum items</i>									
Current account balance (in percent of GDP)	-5.5	-9.5	-9.3	-8.4	-7.6	-7.3	-6.7	-5.9	-5.0
Trade balance (in percent of GDP)	-30.8	-32.5	-32.0	-31.1	-30.5	-30.0	-29.2	-28.1	-27.1
Import of goods (change, percent)	8.3	13.2	0.0	3.4	5.4	6.3	6.3	5.6	5.3
Export of goods (change, percent)	33.2	19.9	-1.9	5.4	9.3	9.0	9.4	9.6	8.2
Transfers (in percent of GDP)	14.2	13.6	13.6	13.5	13.3	13.2	13.0	12.9	12.8
Net foreign direct investment (in percent of GDP)	-1.5	-2.1	-3.4	-2.8	-2.3	-2.2	-2.1	-2.1	-2.0
External debt/GDP (in percent)	51.6	49.1	51.5	51.3	51.5	50.5	48.7	46.5	46.2
Private sector	26.3	23.1	24.3	23.2	23.5	23.7	23.6	23.6	23.6
Public sector	25.4	26.0	27.1	28.2	28.0	26.8	25.1	22.9	22.6
External debt service/GNFS exports (percent)	19.7	14.9	13.2	16.2	16.9	15.6	16.1	17.2	11.0
Gross official reserves (in millions of Euro)	3,303	3,285	3,326	3,394	3,520	3,577	3,563	3,561	3,830
(In months of prospective imports of goods and services)	5.4	5.4	5.3	5.1	5.0	4.8	4.5	4.3	4.5

Sources: BiH authorities; and IMF staff estimates and projections.

1/. Based on BPM6.

**Table 4. Bosnia and Herzegovina: General Government Statement of Operations, 2010–18**  
(Percent of GDP)

	2010	2011	2012		2013		2014	2015	2016	2017	2018
			EBS/12/120	Proj.	EBS/12/161	Proj.					
<b>Revenue</b>	<b>46.5</b>	<b>46.1</b>	<b>46.5</b>	<b>44.8</b>	<b>46.3</b>	<b>44.5</b>	<b>44.7</b>	<b>44.9</b>	<b>45.0</b>	<b>45.2</b>	<b>45.3</b>
Taxes	23.0	23.1	22.9	22.4	22.7	21.7	21.8	21.8	21.8	21.8	21.8
Direct taxes	3.6	3.5	3.6	3.5	3.6	3.4	3.4	3.4	3.4	3.4	3.4
Indirect taxes	19.4	19.5	19.3	18.9	19.0	18.3	18.3	18.4	18.4	18.4	18.3
Other taxes	0.0	0.1	0.0	0.0	0.1	0.1	0.0	0.0	0.0	0.0	0.0
Social security contributions	15.4	15.8	15.7	15.4	15.4	14.9	15.3	15.3	15.3	15.3	15.3
Grants	2.5	2.1	2.1	2.1	2.2	2.0	2.0	2.1	2.2	2.4	2.5
Other revenue	5.6	5.1	5.8	5.0	6.1	5.9	5.7	5.7	5.7	5.7	5.7
<b>Expenditure</b>	<b>50.6</b>	<b>48.9</b>	<b>49.5</b>	<b>47.4</b>	<b>48.4</b>	<b>46.5</b>	<b>46.1</b>	<b>45.7</b>	<b>45.0</b>	<b>44.8</b>	<b>44.0</b>
<b>Expense</b>	<b>42.6</b>	<b>42.7</b>	<b>43.1</b>	<b>41.3</b>	<b>41.8</b>	<b>40.2</b>	<b>39.5</b>	<b>39.0</b>	<b>38.2</b>	<b>37.7</b>	<b>36.7</b>
Compensation of employees	12.8	13.0	13.1	12.4	12.4	12.0	11.5	11.3	11.0	10.7	10.4
Use of goods and services	10.1	10.6	10.6	10.4	10.6	10.3	10.2	10.2	10.2	10.2	10.1
Social benefits	14.9	14.6	14.6	14.2	14.4	13.9	13.4	13.2	12.8	12.7	12.6
Interest	0.6	0.6	0.9	0.7	0.9	0.9	1.0	0.9	0.9	0.9	0.4
Subsidies	1.7	1.7	1.6	1.5	1.5	1.4	1.4	1.3	1.3	1.3	1.2
Other expense	2.6	2.1	2.3	2.1	2.0	1.9	2.0	2.0	2.0	1.9	1.9
<b>Net acquisition of nonfinancial assets</b>	<b>8.0</b>	<b>6.3</b>	<b>6.4</b>	<b>6.0</b>	<b>6.6</b>	<b>6.3</b>	<b>6.5</b>	<b>6.7</b>	<b>6.8</b>	<b>7.1</b>	<b>7.4</b>
Acquisition of nonfinancial assets	8.0	6.4	6.7	6.2	7.1	6.8	6.6	6.8	6.9	7.2	7.5
Foreign financed capital spending	4.3	3.6	4.1	3.1	4.1	4.0	3.9	3.9	4.0	4.0	4.0
Domestically financed capital spending	3.7	2.7	2.6	3.1	3.0	2.8	2.8	2.9	3.0	3.2	3.5
Disposal of nonfinancial assets	0.0	0.1	0.3	0.2	0.5	0.5	0.1	0.1	0.1	0.1	0.1
<b>Gross / Net Operating Balance (revenue minus expense)</b>	<b>3.8</b>	<b>3.4</b>	<b>3.4</b>	<b>3.5</b>	<b>4.6</b>	<b>4.3</b>	<b>5.2</b>	<b>5.9</b>	<b>6.8</b>	<b>7.5</b>	<b>8.6</b>
<b>Net lending/borrowing (revenue minus expenditure)</b>	<b>-4.2</b>	<b>-2.9</b>	<b>-3.0</b>	<b>-2.6</b>	<b>-2.0</b>	<b>-2.0</b>	<b>-1.3</b>	<b>-0.8</b>	<b>0.0</b>	<b>0.4</b>	<b>1.3</b>
<b>Net acquisition of financial assets</b>	<b>0.1</b>	<b>-1.0</b>	<b>-0.1</b>	<b>0.5</b>	<b>-0.5</b>	<b>-0.2</b>	<b>0.0</b>	<b>0.5</b>	<b>0.7</b>	<b>0.5</b>	<b>1.7</b>
Domestic assets	0.1	-0.5	-0.1	0.5	-0.4	-0.1	0.0	0.5	0.7	0.5	1.7
Currency and deposits	0.0	-1.1	-0.9	0.1	-1.2	-0.9	0.0	0.6	0.8	0.6	1.7
Debt securities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Loans	0.3	0.2	0.8	0.4	0.6	0.7	0.1	-0.1	-0.1	-0.1	0.0
Equity and investment fund shares	-0.2	0.3	0.0	0.2	0.1	0.1	0.0	0.0	0.0	0.0	0.0
Insurance, pensions, and standardized guarantee schemes	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financial derivatives and employee stock options	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other accounts receivable	0.0	0.0	0.0	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Foreign assets	0.0	-0.5	0.0	0.0	-0.1	0.0	0.0	0.0	0.0	0.0	0.0
<b>Net incurrence of liabilities</b>	<b>4.4</b>	<b>1.9</b>	<b>1.7</b>	<b>2.0</b>	<b>-0.2</b>	<b>-0.1</b>	<b>0.1</b>	<b>1.2</b>	<b>0.7</b>	<b>0.2</b>	<b>0.4</b>
Domestic liabilities	1.4	0.7	-0.7	0.5	-0.8	-0.8	-0.2	0.5	0.5	0.5	-0.5
Currency and deposits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Debt securities	0.0	1.0	0.3	0.3	-0.1	-0.1	0.1	0.9	0.5	0.2	-0.3
Issuance	0.0	1.2	1.4	1.4	0.7	0.7	1.0	2.0	1.0	0.6	0.4
Amortization	0.0	0.2	-1.1	0.0	0.2	0.2	0.0	-0.2	0.3	0.3	0.7
Government obligations under the Law on Internal Debt, issued guarantees, and other obligations from previous years	-0.6	-1.0	-1.1	-0.9	-1.0	-1.0	-0.8	-0.9	-0.7	-0.4	-0.2
Loans	2.2	0.5	0.6	0.6	0.4	0.7	0.5	0.5	0.7	0.7	0.0
Equity and investment fund shares	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Insurance, pensions, and standardized guarantee schemes	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financial derivatives and employee stock options	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other accounts payable	-0.3	0.2	-0.5	0.4	-0.1	-0.4	0.0	0.0	0.0	0.0	0.0
Foreign liabilities	3.0	1.2	2.4	1.5	0.6	0.7	0.3	0.8	0.3	-0.3	0.9
Currency and deposits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Debt securities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Loans	3.0	1.2	2.4	1.5	0.6	0.7	0.3	0.8	0.3	-0.3	0.9
Drawings	3.9	2.1	3.6	2.7	3.0	2.9	2.7	2.6	2.4	2.2	2.1
Amortization	0.9	0.9	1.2	1.2	2.4	2.2	2.4	1.8	2.1	2.6	1.2
Equity and investment fund shares	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Insurance, pensions, and standardized guarantee schemes	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financial derivatives and employee stock options	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other accounts payable	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Financing gap</b>	<b>0.0</b>	<b>0.0</b>	<b>1.3</b>	<b>1.2</b>	<b>1.7</b>	<b>1.9</b>	<b>1.2</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
Identified financing	0.0	0.0	1.3	0.9	1.7	1.9	1.2	0.0	0.0	0.0	0.0
IMF	0.0	0.0	0.9	0.9	1.4	1.2	0.7	0.0	0.0	0.0	0.0
WB	0.0	0.0	0.0	0.0	0.0	0.0	0.5	0.0	0.0	0.0	0.0
EU	0.0	0.0	0.4	0.0	0.4	0.7	0.0	0.0	0.0	0.0	0.0
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Unidentified financing	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Statistical discrepancy</b>	<b>-0.2</b>	<b>-0.1</b>	<b>0.0</b>	<b>0.3</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>Memorandum items</b>											
Indirect revenues	19.4	19.5	19.3	18.9	19.0	18.3	18.3	18.4	18.4	18.4	18.3
Net lending excluding externally-financed operations	-2.3	-1.2	-0.9	-1.4	-0.1	0.0	0.6	1.1	1.8	2.0	2.8
Structural balance (% of potential GDP)	-4.2	-2.5	-1.7	-0.9	-0.2	-0.3	0.7	0.6	...	...	...

Sources: BIH authorities; and IMF staff estimates and projections.

Table 5. Bosnia and Herzegovina: General Government Statement of Operations, 2010-14

(KM million)

	2010	2011	2012		2013						2014		
			Dec.		Mar.		Jun.		Sep.			Dec.	
			EBS/12/120	Proj.	EBS/12/161	Proj.	EBS/12/161	Proj.	EBS/12/161	Proj.		EBS/12/161	Proj.
<b>Revenue</b>	<b>11516.2</b>	<b>11831.1</b>	<b>12080.1</b>	<b>11807.3</b>	<b>2766.5</b>	<b>2596.3</b>	<b>5884.4</b>	<b>5877.0</b>	<b>9040.4</b>	<b>8984.1</b>	<b>12413.9</b>	<b>12346.3</b>	<b>13049.2</b>
Taxes	5693.1	5929.1	5958.8	5907.0	1370.1	1289.2	2892.4	2877.7	4486.3	4440.7	6069.8	6033.0	6345.3
Direct taxes	890.2	907.2	944.5	917.9	240.8	235.1	488.1	487.5	678.8	677.8	954.5	947.3	989.8
Indirect taxes	4802.9	5004.6	5002.1	4972.2	1127.4	1043.1	2401.0	2387.2	3802.5	3758.6	5100.6	5071.2	5341.8
Other taxes	0.0	17.3	12.3	11.9	1.9	10.9	3.3	2.9	5.0	4.3	14.7	14.5	13.7
Social security contributions	3804.0	4046.3	4080.5	4052.4	948.7	930.6	2015.8	1995.3	3006.4	2975.2	4134.2	4121.5	4449.5
Grants	622.9	536.4	539.1	541.4	156.1	103.9	324.6	339.3	498.6	490.4	576.8	551.1	596.5
Other revenue	1396.2	1319.4	1501.7	1306.5	291.6	272.6	651.5	664.8	1049.1	1077.8	1633.0	1640.7	1657.8
<b>Expenditure</b>	<b>12545.5</b>	<b>12563.2</b>	<b>12861.2</b>	<b>12486.9</b>	<b>2893.9</b>	<b>2683.3</b>	<b>6059.8</b>	<b>6115.2</b>	<b>9386.6</b>	<b>9447.4</b>	<b>12961.1</b>	<b>12912.7</b>	<b>13432.4</b>
<b>Expense</b>	<b>10563.9</b>	<b>10954.6</b>	<b>11189.7</b>	<b>10896.1</b>	<b>2589.3</b>	<b>2433.1</b>	<b>5285.7</b>	<b>5222.6</b>	<b>8050.4</b>	<b>7998.1</b>	<b>11188.7</b>	<b>11165.0</b>	<b>11527.1</b>
Compensation of employees	3165.6	3337.3	3397.3	3271.4	815.1	789.3	1614.4	1623.1	2409.9	2423.3	3311.6	3319.9	3357.9
Use of goods and services	2498.5	2711.4	2754.6	2732.5	658.8	608.1	1348.3	1351.0	2036.6	2039.7	2833.5	2857.3	2987.1
Social benefits	3679.8	3749.9	3792.2	3737.0	915.9	893.2	1829.5	1841.1	2820.4	2830.8	3854.1	3847.8	3916.0
Interest	150.0	164.7	225.9	196.7	42.6	37.7	109.7	114.1	152.9	164.0	245.1	240.5	287.2
Subsidies	426.1	440.7	423.0	392.9	94.7	32.3	203.7	126.3	312.2	233.7	407.7	379.7	399.5
Grants	0.0	10.2	11.6	18.1	2.0	0.9	4.0	4.0	7.0	7.0	12.0	19.0	20.0
Other expense	643.9	550.6	596.7	565.5	62.2	72.5	180.1	167.0	318.4	306.5	536.7	519.9	579.4
<b>Net acquisition of nonfinancial assets</b>	<b>1981.6</b>	<b>1608.6</b>	<b>1671.6</b>	<b>1590.8</b>	<b>304.6</b>	<b>250.1</b>	<b>774.1</b>	<b>892.6</b>	<b>1336.2</b>	<b>1449.3</b>	<b>1772.4</b>	<b>1747.7</b>	<b>1905.3</b>
Acquisition of nonfinancial assets	1981.6	1639.7	1742.7	1630.9	312.3	255.4	790.0	906.4	1360.0	1484.3	1907.5	1875.8	1938.1
Foreign financed capital spending	1060.6	934.3	1057.4	817.0	231.6	117.9	469.3	602.8	738.4	896.1	1091.5	1107.1	1129.8
Domestically financed capital spending	921.0	705.4	685.2	813.9	80.7	137.5	320.7	303.6	621.6	588.1	816.1	768.7	808.3
Disposal of nonfinancial assets	0.0	31.1	71.1	40.1	7.7	5.2	15.9	13.8	23.8	35.0	135.1	128.0	32.8
<b>Gross / Net Operating Balance (revenue minus expense)</b>	<b>952.4</b>	<b>876.6</b>	<b>890.5</b>	<b>911.3</b>	<b>177.1</b>	<b>163.2</b>	<b>598.7</b>	<b>654.4</b>	<b>990.0</b>	<b>986.0</b>	<b>1225.2</b>	<b>1181.2</b>	<b>1522.1</b>
<b>Net lending/borrowing (revenue minus expenditure)</b>	<b>-1029.2</b>	<b>-732.1</b>	<b>-781.1</b>	<b>-679.5</b>	<b>-127.5</b>	<b>-86.9</b>	<b>-175.4</b>	<b>-238.2</b>	<b>-346.2</b>	<b>-463.3</b>	<b>-547.2</b>	<b>-566.5</b>	<b>-383.3</b>
<b>Net acquisition of financial assets</b>	<b>29.2</b>	<b>-267.0</b>	<b>-13.5</b>	<b>144.9</b>	<b>15.6</b>	<b>-93.4</b>	<b>-21.0</b>	<b>-123.7</b>	<b>-95.9</b>	<b>-243.6</b>	<b>-126.5</b>	<b>-48.4</b>	<b>-3.3</b>
Domestic assets	29.2	-132.0	-13.5	144.9	30.9	-93.4	-5.2	-119.0	-80.1	-239.9	-109.4	-41.1	8.5
Currency and deposits	0.0	-276.2	-227.6	15.2	-37.1	-104.8	-118.1	-159.4	-211.0	-305.6	-310.7	-247.4	-10.0
Debt securities	0.0	0.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Loans	77.7	63.3	201.3	106.0	63.2	-1.0	90.2	18.3	101.3	43.6	173.6	184.6	18.5
Equity and investment fund shares	-48.5	71.0	12.7	43.3	4.9	3.0	22.7	22.1	29.6	22.1	27.7	21.7	0.1
Other accounts receivable	0.0	9.6	0.0	-19.6	0.0	9.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Foreign assets	0.0	-135.0	0.0	0.0	-15.3	0.0	-15.8	-4.7	-15.8	-3.7	-17.1	-7.3	-11.9
<b>Net incurrence of liabilities</b>	<b>1096.7</b>	<b>484.6</b>	<b>432.9</b>	<b>518.4</b>	<b>62.3</b>	<b>-70.5</b>	<b>-7.0</b>	<b>-136.6</b>	<b>-12.1</b>	<b>-127.3</b>	<b>-40.3</b>	<b>-22.6</b>	<b>39.0</b>
Domestic liabilities	347.7	176.2	-181.7	123.1	20.8	-59.5	12.7	-213.4	4.9	-278.1	-208.6	-215.1	-58.8
Debt securities	0.0	256.2	69.6	87.7	4.9	43.8	4.0	-9.4	-13.0	-85.4	-16.7	-16.7	20.1
Amortization	-140.5	-261.0	-282.5	-233.4	-76.0	-67.7	-88.7	-96.5	-217.7	-238.0	-267.7	-267.7	-232.0
Loans	556.2	124.6	160.8	168.3	-6.5	-10.7	25.6	-37.0	17.2	-42.8	103.5	186.1	153.1
Other accounts payable	-68.0	56.3	-129.6	100.5	98.4	-24.8	71.9	-70.5	218.3	88.0	-27.6	-116.8	0.0
Foreign liabilities	749.0	308.5	614.6	395.3	41.6	-11.1	-19.7	76.8	-16.9	150.8	168.3	192.5	97.8
Debt securities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Loans	749.0	310.7	613.2	395.3	41.6	-11.1	-19.7	76.8	-16.9	150.8	168.3	192.5	97.8
Drawings	963.0	550.5	932.1	711.3	138.6	75.1	270.9	347.8	407.9	552.5	808.9	808.0	787.1
Amortization	214.0	239.8	318.8	316.0	97.1	86.2	290.6	270.9	424.8	401.7	640.6	615.4	689.3
Other accounts payable	0.0	-2.2	1.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Financing gap</b>	<b>0.0</b>	<b>0.0</b>	<b>334.7</b>	<b>306.1</b>	<b>80.7</b>	<b>64.1</b>	<b>161.5</b>	<b>251.1</b>	<b>262.4</b>	<b>347.1</b>	<b>461.0</b>	<b>540.7</b>	<b>341.0</b>
Identified financing	0.0	0.0	334.7	236.4	80.7	97.8	161.4	251.2	262.3	347.0	461.0	540.6	340.9
IMF	0.0	0.0	236.9	236.4	80.7	0.0	161.4	153.4	262.3	249.2	363.2	345.1	192.5
WB	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	148.5
EU	0.0	0.0	97.8	0.0	0.0	97.8	0.0	97.8	0.0	97.8	97.8	195.6	0.0
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Unidentified financing	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Statistical discrepancy</b>	<b>-38.2</b>	<b>-19.6</b>	<b>0.0</b>	<b>69.6</b>	<b>0.0</b>	<b>-33.7</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>Memorandum items</b>													
Indirect revenues	4802.9	5004.6	5002.1	4977.2	1127.4	1043.1	2401.0	2387.2	3802.5	3758.6	5100.6	5071.2	5341.8
Net lending excluding externally-financed operations	-565.8	-314.1	-237.6	-375.9	-50.9	-68.0	-24.6	31.5	-97.1	-50.1	-17.1	5.0	166.0

Sources: BiH authorities; and IMF staff estimates and projections.

Table 5a. Institutions of Bosnia and Herzegovina: Statement of Operations, 2010-14

(KM million)

	2010	2011	2012		2013								2014
			Dec.		Mar.		Jun.		Sep.		Dec.		
			EBS/12/120	Prel.	EBS/12/161	Prel.	EBS/12/161	Proj.	EBS/12/161	Proj.	EBS/12/161	Proj.	
<b>Revenue</b>	<b>885.4</b>	<b>848.3</b>	<b>909.7</b>	<b>924.4</b>	<b>193.1</b>	<b>207.7</b>	<b>445.8</b>	<b>444.6</b>	<b>676.3</b>	<b>672.1</b>	<b>923.2</b>	<b>923.2</b>	<b>937.5</b>
Taxes	689.0	689.0	750.0	750.0	167.6	180.9	367.8	367.8	558.9	558.9	750.0	750.0	750.0
Direct taxes	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Indirect taxes	689.0	689.0	750.0	750.0	167.6	180.9	367.8	367.8	558.9	558.9	750.0	750.0	750.0
Other taxes	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Social security contributions	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Grants	22.0	17.7	15.0	21.7	0.7	3.1	5.0	5.0	5.8	4.0	7.2	7.2	7.6
Other revenue	174.4	141.6	144.7	151.7	24.8	23.7	73.0	71.8	111.6	109.2	166.0	166.0	179.9
Transfers from other general government units	0.0	1.2	0.0	1.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Expenditure</b>	<b>972.7</b>	<b>898.7</b>	<b>950.0</b>	<b>882.1</b>	<b>208.4</b>	<b>202.1</b>	<b>461.5</b>	<b>459.5</b>	<b>697.6</b>	<b>691.5</b>	<b>950.0</b>	<b>950.0</b>	<b>950.0</b>
<b>Expense</b>	<b>904.5</b>	<b>877.3</b>	<b>889.7</b>	<b>844.5</b>	<b>200.1</b>	<b>195.8</b>	<b>415.0</b>	<b>415.4</b>	<b>630.5</b>	<b>630.9</b>	<b>877.9</b>	<b>877.9</b>	<b>888.7</b>
Compensation of employees	634.0	648.4	635.5	628.3	160.6	155.2	317.0	318.9	476.3	479.1	636.2	636.2	645.0
Use of goods and services	204.7	179.3	179.9	162.4	35.0	34.7	80.7	79.4	128.3	126.3	193.7	193.7	194.2
Social benefits	0.0	38.5	12.0	11.5	0.6	0.5	5.8	6.1	8.8	9.1	11.5	11.5	11.5
Interest	0.5	0.3	0.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.5	0.5	3.4
Transfers to other general government units	-3.0	-1.2	19.9	19.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other expense	68.2	12.1	41.7	22.8	3.9	5.4	11.5	11.0	17.1	16.3	35.9	35.9	34.5
<b>Net acquisition of nonfinancial assets</b>	<b>68.3</b>	<b>21.4</b>	<b>60.3</b>	<b>37.6</b>	<b>8.3</b>	<b>6.3</b>	<b>46.5</b>	<b>44.1</b>	<b>67.1</b>	<b>60.5</b>	<b>72.1</b>	<b>72.1</b>	<b>61.3</b>
Acquisition of nonfinancial assets	68.3	21.9	67.7	45.3	8.3	6.4	46.5	44.1	67.1	60.5	72.8	72.8	61.3
Foreign financed capital spending	0.0	3.4	2.1	2.2	0.3	0.5	0.8	1.0	1.3	1.7	1.8	1.8	0.0
Domestically financed capital spending	68.3	18.5	65.6	43.0	7.9	5.9	45.7	43.1	65.8	58.9	71.0	71.0	61.3
Disposal of nonfinancial assets	0.0	0.6	7.4	7.7	0.0	0.1	0.0	0.0	0.0	0.0	0.7	0.7	0.0
<b>Gross / Net Operating Balance (revenue minus expense)</b>	<b>-19.1</b>	<b>-29.0</b>	<b>20.0</b>	<b>79.9</b>	<b>-7.0</b>	<b>11.9</b>	<b>30.8</b>	<b>29.2</b>	<b>45.9</b>	<b>41.2</b>	<b>45.3</b>	<b>45.3</b>	<b>48.8</b>
<b>Net lending/borrowing (revenue minus expenditure)</b>	<b>-87.3</b>	<b>-50.4</b>	<b>-40.3</b>	<b>42.3</b>	<b>-15.3</b>	<b>5.6</b>	<b>-15.7</b>	<b>-14.9</b>	<b>-21.2</b>	<b>-19.4</b>	<b>-26.8</b>	<b>-26.8</b>	<b>-12.5</b>
<b>Net acquisition of financial assets</b>	<b>-17.5</b>	<b>-83.0</b>	<b>-25.1</b>	<b>8.0</b>	<b>-15.3</b>	<b>17.0</b>	<b>-15.8</b>	<b>-4.7</b>	<b>-15.8</b>	<b>-3.7</b>	<b>-17.1</b>	<b>-7.3</b>	<b>-12.5</b>
Domestic assets	-17.5	52.0	-25.1	8.0	0.0	17.0	0.0	0.0	0.0	0.0	0.0	0.0	-0.6
Currency and deposits	0.0	49.0	-25.1	16.0	0.0	10.0	0.0	0.0	0.0	0.0	0.0	0.0	-0.6
Debt securities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Loans	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Equity and investment fund shares	-17.5	-1.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other accounts receivable	0.0	4.0	0.0	-8.0	0.0	7.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Foreign assets	0.0	-135.0	0.0	0.0	-15.3	0.0	-15.8	-4.7	-15.8	-3.7	-17.1	-7.3	-11.9
<b>Net incurrence of liabilities</b>	<b>34.6</b>	<b>-34.1</b>	<b>5.4</b>	<b>-34.0</b>	<b>0.0</b>	<b>2.0</b>	<b>-0.1</b>	<b>0.5</b>	<b>5.4</b>	<b>5.9</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
Domestic liabilities	36.7	-33.0	0.0	-34.0	0.0	2.0	-0.1	0.5	5.4	5.9	0.0	0.0	0.0
Debt securities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Issuance	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Amortization	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Government obligations under the Law on Internal Debt, issued guarantees, and other obligations from previous years	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Loans	43.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other accounts payable	-7.0	-33.0	0.0	-34.0	0.0	2.0	-0.1	0.5	5.4	5.9	0.0	0.0	0.0
Foreign liabilities	-2.1	-1.1	5.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Debt securities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Loans	-2.1	-1.1	5.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Drawings	0.0	0.0	5.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Amortization	2.1	1.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other accounts payable	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Financing gap</b>	<b>0.0</b>	<b>0.0</b>	<b>9.8</b>	<b>0.0</b>	<b>0.0</b>	<b>9.4</b>	<b>0.0</b>	<b>9.7</b>	<b>0.0</b>	<b>9.8</b>	<b>9.8</b>	<b>19.6</b>	<b>0.0</b>
Identified financing	0.0	0.0	9.8	0.0	0.0	9.8	0.0	9.8	0.0	9.8	9.8	19.6	0.0
IMF	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
WB	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EU	0.0	0.0	9.8	0.0	0.0	9.8	0.0	9.8	0.0	9.8	9.8	19.6	0.0
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Unidentified financing	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Statistical discrepancy</b>	<b>35.3</b>	<b>1.5</b>	<b>0.0</b>	<b>0.3</b>	<b>0.0</b>	<b>-0.4</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>Memorandum items</b>													
Indirect revenues	689.0	689.0	750.0	750.0	167.6	180.9	367.8	367.8	558.9	558.9	750.0	750.0	750.0
Net lending excluding externally-financed operations	-87.3	-47.0	-38.2	44.5	-15.0	6.1	-15.0	-13.9	-20.0	-17.7	-25.0	-25.0	-12.5

Sources: BiH authorities; and IMF staff estimates and projections.

Table 5b. Federation of Bosnia and Herzegovina: General Government Statement of Operations, 2010-14

(KM million)

	2010	2011	2012		Mar.		Jun.		Sep.		Dec.		2014
			EBS/12/120	Prel.	EBS/12/161	Prel.	EBS/12/161	Proj.	EBS/12/161	Proj.	EBS/12/161	Proj.	
<b>Revenue</b>	<b>6938.4</b>	<b>6924.3</b>	<b>7079.1</b>	<b>6842.7</b>	<b>1641.2</b>	<b>1539.6</b>	<b>3453.8</b>	<b>3473.9</b>	<b>5355.5</b>	<b>5343.4</b>	<b>7287.5</b>	<b>7286.4</b>	<b>7725.6</b>
Taxes	3161.2	3177.8	3172.5	3115.8	737.2	684.4	1541.8	1556.5	2405.2	2410.1	3250.5	3271.2	3457.4
Direct taxes	529.5	468.8	495.3	472.9	133.4	129.3	263.1	265.0	365.6	367.8	507.2	507.5	527.6
Indirect taxes	2631.7	2700.2	2668.8	2637.0	602.9	544.5	1277.1	1289.9	2037.3	2040.0	2732.3	2752.7	2918.5
Other taxes	0.0	8.9	8.5	5.8	0.9	10.5	1.6	1.6	2.3	2.3	11.0	11.0	11.3
Social security contributions	2615.5	2649.0	2660.0	2670.6	630.5	636.5	1315.9	1294.3	1996.2	1963.5	2703.9	2688.3	2920.8
Foreign grants	401.8	350.1	352.7	354.1	108.7	55.8	226.1	245.0	352.5	352.5	382.4	365.4	395.4
Other revenue	759.8	747.4	872.3	702.1	164.9	162.9	370.0	378.1	601.7	617.3	950.7	961.5	952.0
<b>Expenditure</b>	<b>7299.7</b>	<b>7315.2</b>	<b>7577.6</b>	<b>7345.2</b>	<b>1745.1</b>	<b>1612.5</b>	<b>3590.1</b>	<b>3707.6</b>	<b>5525.8</b>	<b>5683.4</b>	<b>7691.9</b>	<b>7683.2</b>	<b>8007.4</b>
<b>Expense</b>	<b>6280.8</b>	<b>6424.2</b>	<b>6602.7</b>	<b>6376.9</b>	<b>1526.2</b>	<b>1445.0</b>	<b>3093.6</b>	<b>3086.2</b>	<b>4700.6</b>	<b>4710.9</b>	<b>6548.0</b>	<b>6556.3</b>	<b>6838.8</b>
Compensation of employees	1621.7	1675.5	1726.3	1611.2	415.6	396.2	810.3	814.6	1207.0	1213.7	1696.3	1698.2	1764.4
Use of goods and services	1457.5	1528.5	1547.6	1525.4	390.8	353.9	784.9	784.4	1154.3	1153.3	1583.0	1578.6	1654.5
Social benefits	2421.3	2467.4	2522.0	2492.2	609.5	602.5	1214.1	1225.1	1874.1	1892.3	2519.7	2541.1	2595.9
Interest	92.1	96.6	121.8	105.5	21.5	20.7	55.6	63.1	78.6	88.8	128.2	128.2	165.2
Subsidies	261.2	250.5	280.0	256.3	50.9	21.4	119.8	89.8	175.9	150.9	241.9	241.9	247.4
Other expense	379.7	405.7	405.1	386.4	37.9	50.5	108.9	109.1	210.7	211.8	378.7	368.3	411.4
<b>Net acquisition of nonfinancial assets</b>	<b>1018.9</b>	<b>891.1</b>	<b>974.9</b>	<b>968.3</b>	<b>218.9</b>	<b>167.4</b>	<b>496.5</b>	<b>621.4</b>	<b>825.2</b>	<b>972.5</b>	<b>1144.0</b>	<b>1126.9</b>	<b>1168.6</b>
Acquisition of nonfinancial assets	1018.9	898.6	1011.9	979.1	220.0	168.6	500.2	625.1	831.9	979.3	1201.2	1184.3	1179.7
Foreign financed capital spending	700.1	636.3	693.3	530.8	177.6	69.9	360.3	487.6	553.0	698.1	818.3	800.4	788.5
Domestically financed capital spending	318.8	262.3	318.6	448.3	42.4	98.7	139.9	137.6	278.9	281.1	382.9	383.9	391.2
Disposal of nonfinancial assets	0.0	7.6	37.0	10.9	1.1	1.1	3.7	3.7	6.7	6.8	57.2	57.4	11.1
<b>Gross / Net Operating Balance (revenue minus expense)</b>	<b>657.5</b>	<b>486.9</b>	<b>476.4</b>	<b>465.8</b>	<b>115.0</b>	<b>94.6</b>	<b>360.2</b>	<b>387.7</b>	<b>654.9</b>	<b>632.5</b>	<b>739.6</b>	<b>730.1</b>	<b>886.9</b>
<b>Net lending/borrowing (revenue minus expenditure)</b>	<b>-361.3</b>	<b>-404.2</b>	<b>-498.4</b>	<b>-502.5</b>	<b>-103.9</b>	<b>-72.9</b>	<b>-136.3</b>	<b>-233.7</b>	<b>-170.3</b>	<b>-340.0</b>	<b>-404.4</b>	<b>-396.8</b>	<b>-281.7</b>
<b>Net acquisition of financial assets</b>	<b>-44.2</b>	<b>-288.4</b>	<b>-321.9</b>	<b>-26.2</b>	<b>-22.3</b>	<b>-126.2</b>	<b>-78.4</b>	<b>-203.3</b>	<b>-149.3</b>	<b>-352.2</b>	<b>-220.3</b>	<b>-240.1</b>	<b>-179.3</b>
Domestic assets	-44.2	-288.4	-321.9	-26.2	-22.3	-126.2	-78.4	-203.3	-149.3	-352.2	-220.3	-240.1	-179.3
Currency and deposits	0.0	-213.0	-229.8	22.0	-22.6	-117.8	-78.9	-162.0	-151.9	-294.5	-219.6	-253.1	-94.7
Debt securities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Loans	-38.4	-69.2	-89.1	-48.1	-0.1	-8.4	-0.2	-41.4	-0.3	-57.7	6.4	12.9	-84.6
Equity and investment fund shares	-5.8	-6.2	-3.0	-0.1	0.3	0.0	0.6	0.0	3.0	0.0	-7.0	0.1	0.1
Insurance, pensions, and standardized guarantee schemes	0.0	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financial derivatives and employee stock options	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other accounts receivable	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Foreign assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Net incurrence of liabilities</b>	<b>374.5</b>	<b>199.0</b>	<b>-17.8</b>	<b>177.3</b>	<b>27.7</b>	<b>-65.3</b>	<b>-49.7</b>	<b>-81.5</b>	<b>-154.0</b>	<b>-165.6</b>	<b>-116.7</b>	<b>-198.2</b>	<b>-134.8</b>
Domestic liabilities	-116.8	49.5	-165.1	29.0	23.9	-65.3	5.8	-151.4	-78.5	-256.4	-139.9	-245.7	-83.2
Debt securities	0.0	89.7	42.9	101.6	4.9	29.7	5.3	-8.1	-11.7	-31.9	40.0	40.0	3.9
Government obligations under the Law on Internal Debt, issued guarantees, and other obligations from previous years	-77.4	-95.1	-134.5	-112.1	-36.2	-30.7	-37.0	-46.0	-146.7	-169.2	-175.9	-175.9	-146.0
Loans	21.5	6.0	56.1	-13.7	4.1	-5.8	35.2	-21.0	38.3	-20.7	23.4	-39.3	58.9
Equity and investment fund shares	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Insurance, pensions, and standardized guarantee schemes	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financial derivatives and employee stock options	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other accounts payable	-60.9	48.9	-129.6	53.3	51.1	-58.5	2.3	-76.4	41.6	-34.5	-27.5	-70.5	0.0
Foreign liabilities	491.3	149.5	147.3	148.3	3.8	0.0	-55.5	69.9	-75.4	90.8	23.3	47.6	-51.7
Currency and deposits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Debt securities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Loans	491.3	151.7	147.3	148.3	3.8	0.0	-55.5	69.9	-75.4	90.8	23.3	47.6	-51.7
Drawings	624.7	295.3	350.8	347.7	69.3	53.9	135.4	243.8	203.9	349.1	447.8	446.9	406.4
Amortization	133.4	143.6	203.5	199.4	65.5	53.9	191.0	173.9	279.4	258.3	424.5	399.3	458.1
Equity and investment fund shares	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Insurance, pensions, and standardized guarantee schemes	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financial derivatives and employee stock options	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other accounts payable	0.0	-2.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Statistical discrepancy / financing gap</b>	<b>-57.4</b>	<b>-83.2</b>	<b>194.3</b>	<b>299.0</b>	<b>53.8</b>	<b>12.0</b>	<b>107.6</b>	<b>111.9</b>	<b>174.9</b>	<b>153.4</b>	<b>300.8</b>	<b>354.8</b>	<b>237.3</b>

Sources: BiH authorities; and IMF staff estimates and projections.

**Table Sc. Federation of Bosnia and Herzegovina: Central Government Statement of Operations, 2010–14**  
(KM million)

	2010	2011	2012						2013						2014
			Dec.		Mar.		Jun.		Sep.		Dec.				
			EBS/12/120	Prel. EBS/12/161	Prel. EBS/12/161	Prel. EBS/12/161	EBS/12/161	Proj.	EBS/12/161	Proj.	EBS/12/161	Proj.			
<b>Revenue</b>	<b>1830.7</b>	<b>1670.1</b>	<b>1804.8</b>	<b>1809.1</b>	<b>434.5</b>	<b>330.8</b>	<b>982.3</b>	<b>994.2</b>	<b>1532.5</b>	<b>1524.4</b>	<b>2042.9</b>	<b>2013.8</b>	<b>2113.7</b>		
Taxes	1218.2	1137.5	1190.8	1171.3	290.6	254.5	637.1	625.3	978.6	960.9	1342.7	1334.4	1440.6		
Direct taxes	95.4	46.6	64.9	47.1	24.4	23.0	34.2	35.9	40.4	42.4	51.7	51.7	54.6		
Indirect taxes	1122.8	1090.8	1125.9	1124.1	266.2	231.5	602.9	589.4	938.3	918.5	1291.1	1282.7	1386.0		
Other taxes	0.0	0.2	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Social security contributions	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Grants	398.1	341.3	342.5	347.7	108.3	53.9	224.9	243.8	349.0	349.1	374.1	357.0	387.0		
Other revenue	214.4	191.3	271.5	290.1	35.7	22.4	120.3	125.1	204.8	214.4	326.2	322.4	286.1		
<b>Expenditure</b>	<b>2074.8</b>	<b>1952.9</b>	<b>2029.4</b>	<b>1881.8</b>	<b>493.1</b>	<b>333.5</b>	<b>1004.5</b>	<b>1123.2</b>	<b>1537.8</b>	<b>1648.7</b>	<b>2204.1</b>	<b>2171.1</b>	<b>2201.7</b>		
<b>Expense</b>	<b>1339.6</b>	<b>1372.0</b>	<b>1399.6</b>	<b>1377.7</b>	<b>319.6</b>	<b>267.4</b>	<b>669.5</b>	<b>644.9</b>	<b>1018.5</b>	<b>994.2</b>	<b>1436.2</b>	<b>1424.7</b>	<b>1454.9</b>		
Compensation of employees	220.0	239.7	232.5	226.1	57.6	55.7	114.4	117.6	170.6	175.5	237.8	237.8	242.1		
Use of goods and services	85.7	67.0	63.0	66.7	35.0	10.9	45.0	44.0	58.9	52.3	93.1	87.6	62.9		
Social benefits	480.5	468.7	460.7	460.5	107.1	108.9	216.0	217.3	350.4	350.7	456.1	456.1	457.5		
Interest	81.4	84.7	105.8	91.8	19.1	17.6	49.7	57.2	69.5	79.7	110.1	110.1	146.5		
Subsidies	131.9	115.5	127.5	128.6	26.2	3.7	70.0	40.0	100.0	75.0	130.5	130.5	130.5		
Transfers to other general government units	276.8	327.6	272.3	308.6	62.4	58.9	139.7	134.2	192.9	184.9	272.1	276.6	285.9		
Other expense	63.2	69.0	137.8	95.4	12.3	11.8	34.8	34.7	76.2	76.1	136.5	126.0	129.5		
<b>Net acquisition of nonfinancial assets</b>	<b>735.1</b>	<b>580.9</b>	<b>629.9</b>	<b>504.1</b>	<b>173.5</b>	<b>66.1</b>	<b>335.0</b>	<b>478.3</b>	<b>519.2</b>	<b>654.5</b>	<b>767.9</b>	<b>746.4</b>	<b>746.8</b>		
Acquisition of nonfinancial assets	735.1	580.9	629.9	505.7	173.5	66.1	335.0	478.3	519.2	654.5	767.9	746.4	746.8		
Foreign financed capital spending	652.1	567.2	611.1	494.4	166.8	65.7	307.1	454.4	474.3	612.4	714.2	696.5	694.4		
Domestically financed capital spending	83.1	13.7	18.8	11.2	6.7	0.4	27.9	23.9	44.9	42.0	53.7	49.9	52.4		
Disposal of nonfinancial assets	0.0	0.0	0.0	1.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
<b>Gross / Net Operating Balance (revenue minus expense)</b>	<b>491.1</b>	<b>298.0</b>	<b>405.2</b>	<b>431.4</b>	<b>115.0</b>	<b>63.4</b>	<b>312.8</b>	<b>349.2</b>	<b>513.9</b>	<b>530.2</b>	<b>606.7</b>	<b>589.1</b>	<b>658.9</b>		
<b>Net lending/borrowing (revenue minus expenditure)</b>	<b>-244.1</b>	<b>-282.8</b>	<b>-224.6</b>	<b>-72.7</b>	<b>-58.6</b>	<b>-2.6</b>	<b>-22.2</b>	<b>-129.1</b>	<b>-5.3</b>	<b>-124.2</b>	<b>-161.2</b>	<b>-157.3</b>	<b>-87.9</b>		
<b>Net acquisition of financial assets</b>	<b>-26.5</b>	<b>-238.0</b>	<b>-52.3</b>	<b>48.1</b>	<b>-20.6</b>	<b>-77.7</b>	<b>-41.3</b>	<b>-41.9</b>	<b>-59.9</b>	<b>-62.9</b>	<b>-109.0</b>	<b>-72.6</b>	<b>-146.7</b>		
Domestic assets	-26.5	-238.0	-52.3	48.1	-20.6	-77.7	-41.3	-41.9	-59.9	-62.9	-109.0	-72.6	-146.7		
Currency and deposits	0.0	-162.6	3.0	87.0	0.0	-71.6	0.0	0.0	0.0	0.0	-27.0	0.0	0.0		
Debt securities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Loans	-38.5	-69.7	-54.8	-39.9	-21.0	-6.1	-41.9	-41.9	-62.9	-62.9	-74.9	-72.6	-146.7		
Equity and investment fund shares	12.0	-5.6	-0.5	1.0	0.3	0.0	0.6	0.0	3.0	0.0	-7.1	0.0	0.0		
Insurance, pensions, and standardized guarantee schemes	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Financial derivatives and employee stock options	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Other accounts receivable	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Foreign assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
<b>Net incurrence of liabilities</b>	<b>171.7</b>	<b>69.8</b>	<b>-44.2</b>	<b>-33.3</b>	<b>-15.9</b>	<b>-128.4</b>	<b>-126.7</b>	<b>-73.7</b>	<b>-229.5</b>	<b>-163.5</b>	<b>-248.7</b>	<b>-262.7</b>	<b>-286.0</b>		
Domestic liabilities	-271.5	-8.2	-111.5	13.5	-9.1	-87.1	-18.4	-110.9	-76.2	-169.3	-166.5	-205.0	-138.5		
Debt securities	0.0	89.0	42.1	100.4	4.9	29.7	5.3	-8.0	-11.8	-32.0	40.0	40.0	3.9		
Issuance	0.0	89.0	250.0	248.6	29.7	29.7	39.5	40.0	39.5	40.0	120.0	120.0	143.9		
Amortization	0.0	0.0	-207.9	-148.3	-24.7	0.0	-34.2	-48.0	-51.3	-72.0	-80.0	-80.0	-140.0		
Government obligations under the Law on Internal Debt, issued guarantees, and other obligations from previous years	-72.9	-93.3	-129.3	-110.2	-33.7	-30.7	-34.2	-45.5	-143.4	-168.2	-174.0	-174.0	-144.1		
Loans	-96.5	-8.8	0.0	-5.6	0.0	0.0	0.0	-32.4	0.0	-31.8	-5.0	-36.3	1.7		
Equity and investment fund shares	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Insurance, pensions, and standardized guarantee schemes	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Financial derivatives and employee stock options	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Other accounts payable	-102.2	4.9	-24.3	28.9	19.7	-86.1	10.4	-25.0	79.0	62.7	-27.5	-34.6	0.0		
Foreign liabilities	443.2	78.0	67.3	-46.8	-6.8	-41.3	-108.2	37.2	-153.3	5.9	-82.1	-57.7	-147.5		
Debt securities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Loans	443.2	78.0	67.3	-46.8	-6.8	-41.3	-108.2	37.2	-153.3	5.9	-82.1	-57.7	-147.5		
Drawings	576.7	226.0	268.6	146.8	58.5	11.8	82.3	210.6	125.3	263.4	340.2	339.5	307.4		
For budget support <sup>1</sup>	322.7	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
For investment projects	254.0	225.9	268.6	146.8	58.5	11.8	82.3	210.6	125.3	263.4	340.2	339.5	307.4		
Amortization	133.4	148.0	201.4	193.6	65.3	53.1	190.5	173.4	278.6	257.5	422.3	397.2	454.9		
Equity and investment fund shares	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Insurance, pensions, and standardized guarantee schemes	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Financial derivatives and employee stock options	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Other accounts payable	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
<b>Financing gap</b>	<b>0.0</b>	<b>0.0</b>	<b>216.6</b>	<b>157.6</b>	<b>53.8</b>	<b>53.4</b>	<b>107.6</b>	<b>160.9</b>	<b>174.9</b>	<b>224.9</b>	<b>300.8</b>	<b>347.3</b>	<b>227.3</b>		
Identified financing	0.0	0.0	216.6	157.6	53.8	58.7	107.6	160.9	174.9	224.8	300.8	347.4	227.3		
IMF	0.0	0.0	157.9	157.6	53.8	0.0	107.6	102.2	174.9	166.1	242.1	230.0	128.3		
WB	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	99.0		
EU	0.0	0.0	58.7	0.0	0.0	58.7	0.0	58.7	0.0	58.7	58.7	117.4	0.0		
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Unidentified financing	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
<b>Statistical discrepancy</b>	<b>45.8</b>	<b>-25.0</b>	<b>0.0</b>	<b>-3.5</b>	<b>0.0</b>	<b>-5.3</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>		
<b>Memorandum items</b>															
Indirect revenues	1122.8	1090.8	1125.9	1124.1	266.2	231.5	602.9	589.4	938.3	918.5	1291.1	1282.7	1386.0		
Net lending excluding externally-financed operations	9.9	-57.0	44.0	74.1	0.0	9.1	60.0	81.5	120.0	139.1	179.0	182.2	219.4		

Sources: BiH authorities; and IMF staff estimates and projections.

Table 5d. Republika Srpska: General Government Statement of Operations, 2010-14

(KM million)

	2010	2011	2012		2013								2014
			Dec.		Mar.		Jun.		Sep.		Dec.		
			EBS/12/120	Prel.	EBS/12/161	Prel.	EBS/12/161	Proj.	EBS/12/161	Proj.	EBS/12/161	Proj.	
<b>Revenue</b>	<b>3417.7</b>	<b>3872.6</b>	<b>3862.9</b>	<b>3799.4</b>	<b>884.0</b>	<b>799.6</b>	<b>1885.3</b>	<b>1859.2</b>	<b>2843.3</b>	<b>2804.3</b>	<b>3948.2</b>	<b>3871.1</b>	<b>4105.2</b>
Taxes	1638.5	1881.6	1857.1	1857.2	424.2	384.6	895.7	866.6	1381.6	1332.3	1886.0	1823.8	1938.5
Direct taxes	304.4	421.6	431.6	422.3	102.7	99.5	215.0	212.3	295.5	291.9	429.0	416.0	437.2
Indirect taxes	1334.1	1452.4	1422.7	1430.2	320.8	284.9	679.6	653.6	1084.2	1039.2	1454.2	1405.7	1500.4
Other taxes	0.0	7.5	2.8	4.7	0.7	0.2	1.1	0.7	1.9	1.2	2.7	2.1	0.9
Social security contributions	1154.0	1365.7	1392.1	1346.2	318.2	288.3	699.9	700.9	1010.2	1011.8	1400.9	1395.7	1489.3
Grants	199.1	174.9	171.2	165.7	46.8	45.1	93.5	89.3	140.3	133.9	187.0	178.5	193.5
Other revenue	426.1	460.7	439.1	430.3	94.7	81.7	196.2	202.4	311.2	326.3	474.3	473.1	483.8
<b>Expenditure</b>	<b>4066.2</b>	<b>4132.3</b>	<b>4105.8</b>	<b>4087.2</b>	<b>895.7</b>	<b>843.3</b>	<b>1922.1</b>	<b>1873.4</b>	<b>3018.1</b>	<b>2956.3</b>	<b>4056.6</b>	<b>4060.3</b>	<b>4248.3</b>
<b>Expense</b>	<b>3175.8</b>	<b>3443.8</b>	<b>3492.8</b>	<b>3507.5</b>	<b>823.2</b>	<b>766.9</b>	<b>1702.9</b>	<b>1658.2</b>	<b>2596.6</b>	<b>2558.0</b>	<b>3532.7</b>	<b>3534.1</b>	<b>3596.4</b>
Compensation of employees	829.1	934.1	949.4	950.3	218.8	216.7	446.8	447.7	666.2	667.5	891.9	899.4	861.4
Use of goods and services	757.9	928.1	943.7	970.2	223.1	214.8	462.7	467.2	714.0	720.0	970.4	1006.5	1055.9
Social benefits	1225.4	1211.9	1225.8	1233.3	299.7	293.4	602.0	617.3	928.5	951.9	1289.3	1295.1	1308.5
Interest	57.4	67.4	102.4	90.7	20.4	17.0	53.7	48.6	74.1	70.4	115.6	111.0	118.0
Subsidies	158.0	180.1	133.2	124.8	42.7	9.2	82.0	34.5	130.3	76.8	155.6	125.4	139.1
Other expense	148.0	122.2	138.2	138.2	18.5	15.7	55.8	42.9	83.6	71.4	110.0	96.6	113.5
<b>Net acquisition of nonfinancial assets</b>	<b>890.5</b>	<b>688.5</b>	<b>613.1</b>	<b>579.7</b>	<b>72.4</b>	<b>76.4</b>	<b>219.2</b>	<b>215.2</b>	<b>421.5</b>	<b>398.3</b>	<b>523.9</b>	<b>526.3</b>	<b>651.9</b>
Acquisition of nonfinancial assets	890.5	711.4	639.8	601.2	79.0	80.4	231.4	225.2	438.6	426.4	601.1	596.2	673.5
Foreign financed capital spending	360.5	294.5	362.1	283.9	53.6	47.5	108.2	114.2	184.1	196.3	271.3	304.9	341.3
Domestically financed capital spending	530.0	416.9	277.8	317.3	25.4	32.9	123.2	111.0	254.5	230.1	329.7	291.3	332.2
Disposal of nonfinancial assets	0.0	22.9	26.7	21.5	6.6	4.0	12.2	10.0	17.1	28.2	77.2	69.9	21.7
<b>Gross / Net Operating Balance (revenue minus expense)</b>	<b>242.0</b>	<b>428.8</b>	<b>370.1</b>	<b>291.9</b>	<b>60.7</b>	<b>32.7</b>	<b>182.4</b>	<b>201.0</b>	<b>246.7</b>	<b>246.2</b>	<b>415.5</b>	<b>337.1</b>	<b>508.8</b>
<b>Net lending/borrowing (revenue minus expenditure)</b>	<b>-648.5</b>	<b>-259.7</b>	<b>-242.9</b>	<b>-287.8</b>	<b>-11.7</b>	<b>-43.7</b>	<b>-36.8</b>	<b>-14.2</b>	<b>-174.8</b>	<b>-152.1</b>	<b>-108.4</b>	<b>-189.2</b>	<b>-143.1</b>
<b>Net acquisition of financial assets</b>	<b>120.1</b>	<b>94.2</b>	<b>315.6</b>	<b>182.1</b>	<b>54.1</b>	<b>15.9</b>	<b>69.9</b>	<b>77.5</b>	<b>64.4</b>	<b>104.0</b>	<b>127.9</b>	<b>161.8</b>	<b>144.0</b>
Domestic assets	120.1	94.2	315.6	182.1	54.1	15.9	69.9	77.5	64.4	104.0	127.9	161.8	144.0
Currency and deposits	0.0	-113.9	9.0	-22.9	-13.7	3.1	-42.5	-4.2	-63.9	-19.7	-77.0	-32.8	39.5
Debt securities	0.0	0.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Loans	116.1	106.7	290.8	154.4	63.2	7.5	90.3	59.6	101.6	101.7	170.1	173.0	104.5
Equity and investment fund shares	4.0	78.2	15.7	43.4	4.6	3.0	22.1	22.1	26.6	22.1	34.7	21.6	0.0
Insurance, pensions, and standardized guarantee schemes	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financial derivatives and employee stock options	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other accounts receivable	0.0	5.6	0.0	7.1	0.0	2.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Foreign assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Net incurrence of liabilities</b>	<b>711.8</b>	<b>326.1</b>	<b>450.3</b>	<b>383.3</b>	<b>38.9</b>	<b>3.8</b>	<b>52.9</b>	<b>11.3</b>	<b>151.8</b>	<b>143.7</b>	<b>85.8</b>	<b>177.3</b>	<b>173.4</b>
Domestic liabilities	452.0	166.1	-10.9	136.3	1.2	14.9	17.1	4.4	93.3	83.7	-59.2	32.3	23.9
Debt securities	0.0	166.5	25.2	-13.8	0.0	14.0	-1.3	-1.3	-1.3	-53.5	-56.8	-56.8	16.2
Issuance	0.0	207.7	107.2	128.7	24.6	76.3	67.0	67.0	67.0	67.0	67.0	67.0	156.8
Amortization	0.0	41.2	-82.0	-142.6	24.6	62.2	68.3	68.3	68.3	120.5	123.8	123.8	140.6
Government obligations under the Law on Internal Debt, issued guarantees, and other obligations from previous years	-58.1	-159.6	-140.8	-113.1	-39.8	-37.0	-51.8	-50.5	-71.0	-68.8	-82.4	-82.4	-76.0
Loans	510.3	117.7	104.7	182.0	-10.6	3.7	-9.6	45.6	-21.0	81.0	80.0	217.7	83.7
Equity and investment fund shares	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Insurance, pensions, and standardized guarantee schemes	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financial derivatives and employee stock options	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other accounts payable	-0.2	40.5	0.0	81.2	51.5	34.1	79.8	10.6	186.6	125.0	-0.1	-46.3	0.0
Foreign liabilities	259.8	160.0	461.2	247.0	37.7	-11.1	35.8	6.9	58.5	60.0	145.0	145.0	149.5
Debt securities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Loans	259.8	160.0	460.5	247.0	37.7	-11.1	35.8	6.9	58.5	60.0	145.0	145.0	149.5
Drawings	338.3	255.1	575.8	363.7	69.3	21.2	135.4	104.0	203.9	203.4	361.1	361.1	380.7
For budget support	176.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
For investment projects	161.5	255.1	575.8	363.7	69.3	21.2	135.4	104.0	203.9	203.4	361.1	361.1	380.7
Amortization	78.4	95.1	115.3	116.7	31.6	32.3	99.6	97.0	145.4	143.4	216.1	216.1	231.3
Equity and investment fund shares	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Insurance, pensions, and standardized guarantee schemes	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financial derivatives and employee stock options	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other accounts payable	0.0	0.0	0.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Statistical discrepancy / financing gap</b>	<b>56.8</b>	<b>27.7</b>	<b>108.3</b>	<b>86.7</b>	<b>26.9</b>	<b>55.9</b>	<b>53.8</b>	<b>80.4</b>	<b>87.4</b>	<b>112.4</b>	<b>150.5</b>	<b>173.7</b>	<b>113.6</b>

Sources: BiH authorities; and IMF staff estimates and projections.



**Table 5e. Republika Srpska: Consolidated Central Government Statement of Operations, 2010–14**  
(KM million)

	2010	2011	2012		2013		2013		2013		2014		
			Dec.		Mar.		Jun.		Sep.				
			EBS/12/120	Prel.	EBS/12/161	Prel.	EBS/12/161	Proj.	EBS/12/161	Proj.		EBS/12/161	Proj.
<b>Revenue</b>	<b>1630.0</b>	<b>1879.3</b>	<b>1776.6</b>	<b>1836.6</b>	<b>414.2</b>	<b>392.5</b>	<b>871.9</b>	<b>840.5</b>	<b>1345.6</b>	<b>1301.8</b>	<b>1861.7</b>	<b>1828.7</b>	<b>1911.4</b>
Taxes	1252.5	1440.0	1380.6	1437.1	323.3	299.0	691.3	666.2	1050.6	1010.5	1426.9	1392.4	1481.4
Direct taxes	246.7	340.3	340.3	345.0	86.6	82.9	179.6	176.4	239.6	235.1	334.6	334.6	351.7
Indirect taxes	1005.8	1094.7	1038.9	1088.2	236.3	216.0	511.1	489.6	809.9	774.9	1091.0	1056.6	1129.7
Other taxes	0.0	5.0	1.4	3.9	0.4	0.1	0.6	0.2	1.1	0.4	1.3	1.3	0.0
Social security contributions	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Grants	199.1	170.6	171.2	153.5	46.8	44.6	93.5	89.3	140.3	133.9	187.0	178.5	193.5
Other revenue	178.5	268.7	224.7	246.0	44.1	49.0	87.1	85.1	154.6	157.4	247.8	257.8	236.4
<b>Expenditure</b>	<b>2069.0</b>	<b>2012.0</b>	<b>1941.5</b>	<b>1910.8</b>	<b>407.6</b>	<b>378.3</b>	<b>871.4</b>	<b>822.0</b>	<b>1334.0</b>	<b>1269.9</b>	<b>1804.2</b>	<b>1770.0</b>	<b>1927.1</b>
<b>Expense</b>	<b>1547.1</b>	<b>1729.8</b>	<b>1614.3</b>	<b>1653.8</b>	<b>355.9</b>	<b>325.5</b>	<b>744.0</b>	<b>692.8</b>	<b>1143.0</b>	<b>1090.4</b>	<b>1566.2</b>	<b>1549.3</b>	<b>1595.8</b>
Compensation of employees	620.3	713.4	716.2	721.4	164.9	163.2	332.1	329.7	493.0	489.4	659.7	659.7	659.7
Use of goods and services	93.1	163.1	150.1	149.8	19.9	21.5	55.9	53.1	108.7	104.9	155.5	150.5	163.5
Social benefits	206.7	275.9	250.2	250.3	60.9	51.0	103.5	104.3	169.5	170.8	255.0	255.0	258.7
Interest	36.2	46.0	63.6	68.2	15.8	12.7	42.2	34.9	56.9	49.7	83.4	83.4	89.0
Subsidies	157.9	165.6	117.5	107.6	30.0	7.0	60.0	30.0	92.6	70.0	114.2	107.2	120.0
Transfers to other general government units	350.7	304.4	253.7	282.9	61.0	65.1	125.0	126.1	189.2	181.1	254.8	259.9	259.5
Other expense	82.1	61.4	63.0	73.6	3.4	5.1	25.3	14.6	33.1	24.4	43.7	33.7	45.5
<b>Net acquisition of nonfinancial assets</b>	<b>521.9</b>	<b>282.2</b>	<b>327.2</b>	<b>257.0</b>	<b>51.7</b>	<b>52.7</b>	<b>127.5</b>	<b>129.2</b>	<b>191.0</b>	<b>179.4</b>	<b>238.0</b>	<b>220.7</b>	<b>331.3</b>
Acquisition of nonfinancial assets	521.9	292.7	332.2	264.1	52.7	53.8	130.9	130.3	195.6	194.9	292.7	275.4	337.0
Foreign financed capital spending	302.7	200.2	258.5	194.8	50.2	47.5	103.0	105.7	158.7	163.5	249.5	241.0	274.2
Domestically financed capital spending	219.2	92.5	73.8	69.3	2.5	6.3	27.9	24.6	36.9	31.4	43.2	34.4	62.7
Disposal of nonfinancial assets	0.0	10.5	5.1	7.1	1.0	1.1	3.4	1.1	4.6	15.4	54.7	54.7	5.7
<b>Gross / Net Operating Balance (revenue minus expense)</b>	<b>82.9</b>	<b>149.5</b>	<b>162.2</b>	<b>182.8</b>	<b>58.2</b>	<b>67.0</b>	<b>127.9</b>	<b>147.7</b>	<b>202.6</b>	<b>211.4</b>	<b>295.5</b>	<b>279.4</b>	<b>315.6</b>
<b>Net lending/borrowing (revenue minus expenditure)</b>	<b>-439.0</b>	<b>-132.8</b>	<b>-164.9</b>	<b>-74.2</b>	<b>6.6</b>	<b>14.3</b>	<b>0.5</b>	<b>18.5</b>	<b>11.6</b>	<b>31.9</b>	<b>57.5</b>	<b>58.7</b>	<b>-15.7</b>
<b>Net acquisition of financial assets</b>	<b>121.4</b>	<b>217.6</b>	<b>295.7</b>	<b>350.2</b>	<b>37.0</b>	<b>37.7</b>	<b>63.6</b>	<b>50.4</b>	<b>68.0</b>	<b>80.2</b>	<b>106.7</b>	<b>130.0</b>	<b>129.8</b>
Domestic assets	121.4	217.6	295.7	350.2	37.0	37.7	63.6	50.4	68.0	80.2	106.7	130.0	129.8
Currency and deposits	0.0	-127.6	-80.9	-34.2	-21.9	23.1	-21.9	0.0	-21.9	0.0	-36.4	0.0	0.0
Debt securities	0.0	0.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Loans	117.4	282.1	360.9	322.3	54.3	11.6	63.4	28.3	63.3	58.1	108.4	108.4	129.8
Equity and investment fund shares	4.0	75.4	15.7	43.4	4.6	3.0	22.1	22.1	26.6	22.1	34.7	21.6	0.0
Insurance, pensions, and standardized guarantee schemes	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financial derivatives and employee stock options	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other accounts receivable	0.0	-12.6	0.0	18.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Foreign assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Net incurrence of liabilities</b>	<b>576.9</b>	<b>343.1</b>	<b>352.4</b>	<b>339.8</b>	<b>3.5</b>	<b>-31.5</b>	<b>9.3</b>	<b>-48.6</b>	<b>-31.0</b>	<b>-64.2</b>	<b>-101.2</b>	<b>-102.4</b>	<b>31.8</b>
Domestic liabilities	374.9	177.7	7.1	139.5	-34.3	-21.4	-26.5	-55.5	-89.5	-124.1	-156.2	-157.4	-27.6
Debt securities	0.0	161.3	20.5	-13.9	0.0	14.6	-1.3	-1.3	-1.3	-53.5	-56.8	-56.8	16.2
Issuance	0.0	196.9	100.0	125.0	24.6	76.3	67.0	67.0	67.0	67.0	67.0	67.0	156.8
Amortization	0.0	35.6	79.5	138.9	24.6	61.7	68.3	68.3	68.3	120.5	123.8	123.8	140.6
Government obligations under the Law on Internal Debt, issued guarantees, and other obligations from previous years	-58.1	-88.5	-77.9	-62.0	-38.7	-31.1	-50.0	-50.0	-67.8	-67.8	-77.4	-77.4	-70.3
Loans	461.3	73.0	64.5	147.1	-11.1	-5.9	-10.6	-5.8	-22.5	-4.7	-22.0	-23.2	26.5
Equity and investment fund shares	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-1.2	0.0
Insurance, pensions, and standardized guarantee schemes	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financial derivatives and employee stock options	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other accounts payable	-28.3	31.9	0.0	68.3	15.6	1.0	35.4	1.6	2.0	1.8	0.0	0.0	0.0
Foreign liabilities	202.0	165.3	345.3	200.3	37.7	-10.1	35.8	6.9	58.5	60.0	55.0	55.0	59.5
Debt securities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Loans	202.0	165.3	345.3	200.3	37.7	-10.1	35.8	6.9	58.5	60.0	55.0	55.0	59.5
Drawings	280.5	255.9	455.8	312.2	69.3	20.4	135.4	104.0	203.9	203.4	271.1	271.1	290.7
For budget support	176.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
For investment projects	103.7	255.9	455.8	312.2	69.3	20.4	135.4	104.0	203.9	203.4	271.1	271.1	290.7
Amortization	78.4	90.6	110.5	111.9	31.6	30.5	99.6	97.0	145.4	143.4	216.1	216.1	231.3
Equity and investment fund shares	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Insurance, pensions, and standardized guarantee schemes	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financial derivatives and employee stock options	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other accounts payable	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Financing gap</b>	<b>0.0</b>	<b>0.0</b>	<b>108.3</b>	<b>78.8</b>	<b>26.9</b>	<b>54.8</b>	<b>53.8</b>	<b>80.4</b>	<b>87.4</b>	<b>112.4</b>	<b>150.4</b>	<b>173.7</b>	<b>113.6</b>
Identified financing	0.0	0.0	108.3	78.8	26.9	29.3	53.8	80.5	87.4	112.4	150.4	173.7	113.6
IMF	0.0	0.0	79.0	78.8	26.9	0.0	53.8	51.1	87.4	83.1	121.1	115.0	64.2
WB	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	49.5
EU	0.0	0.0	29.3	0.0	0.0	29.3	0.0	29.3	0.0	29.3	29.3	58.7	0.0
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Unidentified financing	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Statistical discrepancy</b>	<b>-16.5</b>	<b>7.3</b>	<b>0.0</b>	<b>5.8</b>	<b>0.0</b>	<b>25.5</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>Memorandum items</b>													
Indirect revenues	1005.8	1094.7	1038.9	1088.2	236.3	216.0	511.1	489.6	809.9	774.9	1091.0	1056.6	1129.7
Net lending excluding externally-financed operations	-335.3	-103.1	-77.7	-33.0	10.0	17.2	10.0	35.0	30.0	61.5	120.0	121.2	65.0

Sources: BiH authorities; and IMF staff estimates and projections.

Table 6. Bosnia and Herzegovina: Monetary Survey, 2010–14

	2010	2011	2012	2013	2014
	Dec	Dec	Dec	Dec	Proj.
	(Million KM, end of period)				
Net foreign assets	4,518	4,999	5,102	5,197	5,188
Foreign assets	9,302	9,177	9,034	9,168	9,414
Foreign liabilities	4,784	4,177	3,932	3,971	4,227
Net domestic assets	9,110	9,420	9,811	10,391	11,196
Domestic credit	13,494	14,683	15,423	16,209	16,867
Claims on general government (net)	-726	-117	204	231	-2
Claims on nongovernment	14,219	14,800	15,219	15,977	16,870
Other items (net)	-4,383	-5,263	-5,612	-5,818	-5,672
Broad money (M2)	13,628	14,418	14,910	15,587	16,384
Narrow money (M1)	5,900	6,185	6,142	6,728	7,032
Currency	2,211	2,366	2,414	2,782	2,869
Demand deposits	3,689	3,819	3,727	3,946	4,164
Quasi-money (M1)	7,728	8,233	8,768	8,860	9,351
Time and savings deposits	1,991	2,286	2,673	2,540	2,681
Foreign currency deposits	5,737	5,947	6,095	6,319	6,670
	(12-month change over broad money in same period last year, in percent)				
Net foreign assets	6.6	3.5	0.7	0.6	-0.1
Net domestic assets	0.6	2.3	2.7	3.9	5.2
Domestic credit	6.0	8.7	5.1	5.3	4.2
Claims on general government (net)	2.9	4.5	2.2	0.2	-1.5
Claims on nongovernment	3.0	4.3	2.9	5.1	5.7
Other items (net)	-5.3	-6.5	-2.4	-1.4	0.9
Broad money (M2)	7.2	5.8	3.4	4.5	5.1
<i>Memorandum items:</i>					
	(Annual percent change)				
Broad money (M2)	7.2	5.8	3.4	4.5	5.1
Reserve money (RM)	4.4	-0.9	-0.8	1.6	6.7
Credit to the private sector	2.1	4.2	2.8	5.3	5.9
	(Percent)				
Credit to the private sector (in percent of GDP)	54.4	54.7	54.7	54.7	55.1
Broad money (in percent of GDP)	55.0	56.2	56.6	56.2	56.2
Central bank net foreign assets (in percent of monetary)	109.9	110.3	112.6	113.1	109.9
	(Ratio)				
Velocity (GDP/end-of-period M2)	1.8	1.8	1.8	1.8	1.8
Reserve money multiplier (M2/RM)	2.3	2.5	2.6	2.6	2.6
Source: CBBH and IMF staff estimates and projections.					

**Table 7. Bosnia and Herzegovina: Schedule of Purchases  
Under the Stand-By Arrangement, 2012–14**

	Available on or after	Amount of Purchase		Conditions
		In millions of SDRs	In percent of quota <sup>1</sup>	
1	September 26, 2012	50.730	30	Board approval of the arrangement.
2	December 15, 2012	50.730	30	Observance of end-September 2012 performance criteria and completion of the first program review.
3	March 15, 2013	33.820	20	Observance of end-December 2012 performance criteria, and completion of the quarterly program review.
4	June 15, 2013	33.820	20	Observance of end-March 2013 performance criteria and completion of the quarterly program review.
5	September 15, 2013	42.275	25	Observance of end-June 2013 performance criteria and completion of the quarterly program review.
6	December 15, 2013	42.275	25	Observance of end-September 2013 performance criteria and completion of the quarterly program review.
7	March 15, 2014	42.275	25	Observance of end-December 2013 performance criteria and completion of the quarterly program review.
8	June 15, 2014	42.275	25	Observance of end-March 2014 performance criteria and completion of the quarterly program review.
<b>Total</b>		<b>338.20</b>	<b>200.00</b>	

<sup>1</sup> The quota is SDR 169.1 million.

**Table 8. Bosnia and Herzegovina: Quantitative Performance Criteria and Indicative Target Under the 2012–14 Stand-By Arrangement, 2012–13**

(Cumulative flow since the end of the previous year; in millions of KM)

	2012		2013		2013		
	End-December		End-March		End-June	End-September	End-December
	EBS/12/120	Act.	EBS/12/161	Act.	EBS/12/161	EBS/12/161	EBS/12/161
<b>Performance Criteria</b>							
Floor on the net lending of 1/							
Institutions of BiH	-38.2	44.5	-15.0	6.1	-15.0	-20.0	-25.0
Federation central government	44.0	74.1	0.0	9.1	60.0	120.0	179.0
RS central government	-77.7	-33.0	10.0	17.2	10.0	30.0	120.0
Ceiling on contracting and guaranteeing of new nonconcessional short-term external debt by							
Institutions of BiH	0	0	0	0	0	0	0
Federation general government	0	0	0	0	0	0	0
RS general government	0	0	0	0	0	0	0
CBBH	0	0	0	0	0	0	0
Ceiling on accumulation of domestic arrears by							
Institutions of BiH	0	0	0	0	...	...	...
Federation general government 2/	0	...	0	...	...	...	...
RS general government 2/	0	...	0	...	...	...	...
Ceiling on accumulation of domestic arrears by 3/							
Institutions of BiH	...	0	0	0	0	0	0
Federation central government	...	0	...	...	0	0	0
RS central government	...	0	...	...	0	0	0
Ceiling on accumulation external payment arrears by 4/							
Institutions of BiH	0	0	0	0	0	0	0
Federation general government	0	0	0	0	0	0	0
RS general government	0	0	0	0	0	0	0
CBBH	0	0	0	0	0	0	0
<b>Indicative targets</b>							
Floor on the net lending of the general government of BiH 1/	-237.6	-375.9	-50.9	-68.0	-24.6	-97.1	-17.1
Ceiling on changes in the stock of "other accounts payable" 3/							
Federation general government	...	...	...	...	100.0	100.0	100.0
RS general government	...	...	...	...	160.0	160.0	160.0

1/ Excluding foreign financed projects as defined in TMU.

2/ The Executive Board approved modification of this performance criterion in April 2013 (EBS/13/45).

3/ Starting end-June 2013 (EBS/13/45).

4/ Continuous.

Table 9. Bosnia and Herzegovina: Structural Conditionality

Actions	Rationale	Test date	Status
<b>Existing structural benchmarks</b>			
1 Continue to adhere to the Currency Board Arrangement as constituted under the law	Anchor for macroeconomic policy; contributing to economic and political stability	Continuous	Met
2 Refrain from introducing new privileged or special rights for retirement	Reducing recurrent spending through better targeting of transfer programs	Continuous	Met
3 Publish on the web site of the Institutions of BiH quarterly consolidated general government accounts with a 6 week lag	Fiscal transparency	Quarterly	Met with delay
4 Carry out eligibility audits for war benefit recipients; publish results (quarterly within 4 weeks after the end of each quarter) of audits (Entities)	Reducing recurrent spending through better targeting of transfer programs	Quarterly	Met with delay
5 Adopt a new law on budget in the Federation that improves data reporting and enhancing control over lower level governments, extra-budgetary funds, and public companies	Fiscal sustainability	End-May 2013	Not met; reset to end-September 2013
6 Sign a joint Memorandum of Understanding by the four tax agencies (ITA, FTA, RSTA, and BDTA) on data exchange to further improve the exchange of information	Reducing tax evasion and enhancing policy cooperation	End-May 2013	Met with delay
7 Amend the banking law in the Federation to limit provisional administration to one year with a possible six month extension	Strengthening bank supervision as well as the bank resolution framework	End-June 2013	
8 Amend the banking law in the RS to limit provisional administration to one year with a possible six month extension	Strengthening bank supervision as well as the bank resolution framework	End-June 2013	
9 Amend the legal frameworks related to the treatment of confidential information in the Federation and the RS to align them with EU requirements	Improving information sharing and policy coordination	End-June 2013	
10 Establish a one-stop shop process for business registration in RS	Improving business environment	End-September 2013	
11 Amend legislation in the RS to eliminate the take-home pay protection for public sector employees	Controlling the public sector wage bill in the medium term	End-December 2013	
<b>Newly proposed structural benchmarks</b>			
1 Adopt by the Federation parliament a new labor law with a view to facilitating job creation	Improving business environment and creating more jobs	End-December 2013	
2 Adopt by the RS parliament a new labor law with a view to facilitating job creation	Improving business environment and creating more jobs	End-December 2013	
3 Prepare the contingency plans for crisis preparedness and management in line with paragraph 10 of the supplementary Letter of Intent of [June xx], 2013.	Strengthening crisis preparedness	End-December 2013	
4 Submit legislation in line with IMF staff recommendations regulating the establishment and supervision of asset management companies to the Federation parliament	Facilitating NPL resolution	End-June 2014	
5 Submit legislation in line with IMF staff recommendations regulating the establishment and supervision of asset management companies to the RS parliament	Facilitating NPL resolution	End-June 2014	
6 Submit to the Federation parliament a new draft law on banks and other lending institutions in line with IMF staff recommendations	Financial stability	End-June 2014	
7 Submit to the RS parliament a new draft law on banks and other lending institutions in line with IMF staff recommendations	Financial stability	End-June 2014	

**Table 10. Bosnia and Herzegovina: Indicators of Capacity to Repay the Fund, 2011–19**

	2011	2012	2013	2014	2015	2016	2017	2018	2019
	Actual		Projections						
<b>Fund repurchases and charges 1/</b>									
In millions of SDRs	4.8	24.3	142.1	151.1	42.3	76.4	149.4	97.2	16.1
In millions of U.S. dollars	7.6	37.3	218.3	231.7	64.7	116.5	227.4	148.0	24.4
In percent of exports of goods and NFS	0.1	0.7	3.9	3.8	1.0	1.7	3.0	1.8	0.3
In percent of external public debt service	3.1	13.5	43.6	40.7	13.5	21.0	33.5	24.0	3.8
In percent of quota	3.0	14.0	84.3	89.2	25.0	45.1	88.2	57.5	9.5
In percent of gross official reserves	0.2	0.8	4.9	5.0	1.4	2.5	5.0	3.3	0.5
<b>Fund credit outstanding 1/</b>									
In millions of SDRs	338.2	416.8	432.1	370.3	331.9	258.9	112.0	15.9	0.0
In millions of U.S. dollars	534.0	638.5	663.8	567.7	507.5	395.0	170.6	24.1	0.0
In percent of quota	200.0	246.5	255.5	219.0	196.3	153.1	66.3	9.4	0.0
In percent of GDP	2.9	3.7	3.5	2.9	2.4	1.8	0.7	0.1	0.0
In percent of gross official reserves	12.3	14.6	14.8	12.3	10.9	8.6	3.7	0.5	0.0
<b>Memorandum items:</b>									
Exports of goods and services (millions of US\$)	5,720	5,185	5,606	6,053	6,505	6,959	7,464	8,006	8,587
External public debt service (millions of US\$)	248	275	501	570	478	555	679	617	648
Quota (millions of SDRs)	169	169	169	169	169	169	169	169	169
Quota (millions of US\$)	267	259	260	259	259	258	258	258	258
Gross official reserves (millions of US\$)	4,329	4,388	4,488	4,622	4,662	4,609	4,574	4,539	4,505
GDP (millions of US\$)	18,243	17,326	18,804	19,641	20,716	22,033	23,368	24,784	26,286
U.S. dollars per SDR	1.58	1.53	1.54	1.53	1.53	1.53	1.52	1.52	1.52
Source: Fund staff estimates.									
1/ Based on existing and prospective drawings.									

<b>Table 11a. Bosnia and Herzegovina: Gross Financing Requirements 2013–18</b>						
(In millions of euros)						
	2013	2014	2015	2016	2017	2018
Financing requirements	1,731	1,743	1,738	1,824	1,894	1,511
Current account deficit	1,185	1,126	1,152	1,139	1,063	966
Amortization	546	616	586	685	831	545
Government	314	354	292	358	463	126
Other	232	263	294	327	367	419
Financing	1,455	1,568	1,738	1,824	1,894	1,511
Capital transfers	156	160	165	170	175	181
FDI	401	346	353	360	373	385
Net bank financing	20	131	134	142	151	150
Foreign loans	642	676	730	691	707	675
Government	414	390	401	350	350	350
Other	228	286	329	341	357	325
Gross international reserves (+ = increase)	69	126	57	-14	-2	269
Other	304	382	413	446	486	388
Financing gap	276	174	0	0	0	0
IMF	176	98	0	0	0	0
EU	100	0	0	0	0	0
World Bank	0	76	0	0	0	0

<b>Table 11b. Bosnia and Herzegovina: Gross Financing Requirements 2013–18</b>						
(In percent of GDP)						
	2013	2014	2015	2016	2017	2018
Financing requirements	12.2	11.7	11.0	10.7	10.4	7.8
Current account deficit	8.4	7.6	7.3	6.7	5.9	5.0
Amortization	3.8	4.1	3.7	4.0	4.6	2.8
Government	2.2	2.4	1.8	2.1	2.6	0.6
Other	1.6	1.8	1.9	1.9	2.0	2.2
Financing	10.3	10.5	11.0	10.7	10.4	7.8
Capital transfers	1.1	1.1	1.0	1.0	1.0	0.9
FDI	2.8	2.3	2.2	2.1	2.1	2.0
Net bank financing	0.1	0.9	0.8	0.8	0.8	0.8
Foreign loans	4.5	4.5	4.6	4.1	3.9	3.5
Government	2.9	2.6	2.5	2.1	1.9	1.8
Other	1.6	1.9	2.1	2.0	2.0	1.7
Gross international reserves (+ = increase)	0.5	0.8	0.4	-0.1	0.0	1.4
Other	2.1	2.6	2.6	2.6	2.7	2.0
Financing gap	1.9	1.2	0.0	0.0	0.0	0.0
IMF	1.2	0.7	0.0	0.0	0.0	0.0
EU	0.7	0.0	0.0	0.0	0.0	0.0
World Bank	0.0	0.5	0.0	0.0	0.0	0.0

Source: IMF staff projections and calculations.

Table 12. Bosnia and Herzegovina: Financial Soundness Indicators, 2008–13

(In Percent)

	2008	2009	2010	2011	2012			2013
					Jun	Sep	Dec	Mar
<i>Capital</i>								
Tier 1 capital to risk-weighted assets (RWA)	12.0	12.4	12.6	13.6	14.1	14.1	14.1	14.6
Net capital to RWA	16.3	16.1	16.2	17.2	16.7	16.8	17.0	17.2
<i>Quality of assets</i> <sup>1</sup>								
Nonperforming loans to total loans	3.1	5.9	11.4	11.8	12.7	12.7	13.5	13.8
Nonperforming assets (NPAs) to total assets	2.2	3.9	8.1	8.8	9.7	9.7	10.3	10.6
NPAs net of provisions to tier 1 capital	14.3	25.9	46.1	26.1	28.7	28.9	30.4	30.7
Provision to NPAs	37.9	34.6	40.8	68.2	67.4	66.6	67.4	66.7
<i>Profitability</i>								
Return on assets <sup>2</sup>	0.4	0.1	-0.6	0.7	0.8	1.1	0.6	0.1
Return on equity <sup>2</sup>	4.3	0.8	-5.5	5.9	6.5	8.7	5.0	0.3
Net interest income to gross income	60.6	61.5	60.1	63.8	64.2	63.6	63.7	64.3
Noninterest expenses to gross income	90.5	97.4	109.0	86.3	81.0	81.1	87.2	80.5
<i>Liquidity</i>								
Liquid assets to total assets	30.0	30.9	29.0	27.3	24.7	24.9	25.4	24.1
Liquid assets to short- term financial liabilities	51.8	52.9	49.7	46.7	43.0	43.5	44.1	42.2
Short- term financial liabilities to total financial liabilities	65.4	66.2	66.9	68.4	67.7	67.4	67.9	67.4
<i>Foreign exchange risk</i>								
Foreign currency and indexed loans to total loans	73.3	73.9	70.0	66.7	63.5	63.7	63.1	63.2
Foreign currency liabilities to total financial liabilities	69.5	69.2	67.0	66.0	67.0	66.5	65.2	65.1
Net open position	6.2	1.7	4.4	16.1	8.3	6.4	5.4	6.5

Source: CBBH.

<sup>1</sup> Prior to 2010, assets classified as loss, alongside the provisions made against them, were held off-balance sheet by banks in BiH. This lowered the reported NPL ratios and coverage of nonperforming loans by provisions. Starting with the December 2010 data, the RS Banking Agency requires banks to record on-balance sheet the "loss" loans and related accrued interest and provisions, resulting in a structural break in the series. The Federation Banking Agency is planning to enforce the same methodology starting in December 2011.

<sup>2</sup> Interyear values obtained by summing up the quarterly net income in the current and the preceding three quarters.



## Appendix I. Supplementary Letter of Intent

Sarajevo and Banja Luka, Bosnia and Herzegovina

June 12, 2013

Ms. Christine Lagarde  
Managing Director  
International Monetary Fund  
Washington, D.C. 20431

Dear Ms. Lagarde:

1. The Stand-By Arrangement (SBA) for Bosnia and Herzegovina (BiH) approved in September 2012 by the Executive Board of the International Monetary Fund (IMF) continues to be a valuable anchor for our economic policies. We remain committed to implementing the policies described in our Letter of Intent dated September 11, 2012, as well as to the policies described in our supplementary Letters of Intent of December 6, 2012 and April 23, 2013. This supplementary Letter of Intent provides information on our efforts and achievements since the completion of the second review under the arrangement in May 2013, as well as on the additional policy measures we plan to undertake during the remainder of 2013 and early 2014 to help ensure that the objectives of the SBA will be met.

2. The economy has started to show some tentative signs of recovery: industrial production and exports rose in the first quarter of this year. Despite the difficult external economic environment and the still considerable downside risks, we continue to expect that our economy will grow modestly in 2013, at a rate about  $\frac{1}{2}$  percent. Inflation continues to be well contained at below 2 percent, with core inflation low at around  $\frac{1}{2}$  percent, and is expected to remain low.

### **Program Implementation**

3. Our policies remain well on track to meet program objectives. We can confirm that we made good progress toward fiscal consolidation in 2012. With end-year revenue and expenditure data having become available for all levels of government, the overall deficit for the consolidated general government is estimated at 2.6 percent of GDP for 2012, below our target of 3 percent of GDP. We

missed the end-2012 indicative target on net lending excluding externally-financed operations, however, as domestic capital spending proceeded at a faster pace than projected, mainly in extra-budgetary funds in the Federation and RS, while a larger share was financed by a drawdown of deposits. While the outlook for 2013 remains challenging, we expect that we will achieve the further reduction in the overall deficit to 2 percent of GDP this year as targeted. However, this will require us to improve tax collection and reach an understanding on investment plans and the distribution of dividends of our electricity distribution company TRANSCO, while we will adhere to the spending ceilings in the approved budgets.

4. In addition, all quantitative performance criteria for end-March 2013 on the budget balances of the Institutions of BiH and the central governments of the Federation and the Republika Srpska (RS) were met. Revenues were somewhat less than forecasted, largely reflecting an unexpected increase in VAT refunds (see below). Strong spending controls, however, allowed us to meet the fiscal targets. We also did not contract or guarantee any new non-concessional short-term external debt, nor did we accumulate any external payment arrears through end March 2013. As during the second review, we can report that the Institutions of BiH and the central governments of the Federation and the RS did not see an increase in domestic arrears in the period through end-March 2013, but data collection for the lower levels of government, extra-budgetary funds, and road and highway funds for end-December 2012 as well as for end-March 2013 is yet to be finalized. We are taking further measures to address this issue (see below).

5. We have made further progress in advancing our structural reform agenda in the last few months:

- The new law on privileged pension that was adopted by the Federation parliament in April was put into effect. Sufficient administrative resources have been allocated to ensure that the requalification of existing beneficiaries and screening of new entrants be completed within the prescribed deadlines.
- The four tax agencies (ITA, FTA, RSTA, and BDTA) signed a Memorandum of Understanding on the exchange of taxpayer information, facilitating the sharing of taxpayer records (a structural benchmark for end-May 2013). In particular, this Memorandum sets out the necessary legal and technical steps that need to be taken to allow the FTA, RSTA, BDTA, and ITA to have permanent, unfettered, and automated access to each other's taxpayer data, effective January 1, 2014.

- The new law on budgets being developed in the Federation with technical assistance from the IMF will be submitted to parliament by end-June and is expected to be approved by end-September 2013 (a new deadline for the end-May 2013 structural benchmark). Improvements included in this new law are, among others: (i) a strengthening of the intergovernmental consultation and coordination process; (ii) the inclusion of a fiscal rule—requiring balanced current budgets and enhancing the Federation finance minister’s control over all borrowing—and an improvement of the medium-term budgeting process; (iii) enhanced spending controls; (iv) the inclusion of financial plans and outcomes of public companies and extra-budgetary funds as annex to the annual budget framework document; and (v) improved cash management procedures.
- The pension reform strategy for the Federation has been prepared and is expected to be submitted to parliament together with an action plan by end-July 2013. The strategy is aimed at ensuring the financial sustainability of the pension system, including by raising the retirement age, increasing the number of contributors, and discouraging early retirement.
- In the financial sector, we have already taken significant steps to further enhance our crisis preparedness and contingency planning. The CBBH and the Banking Agencies completed the identification of systemically important banks with a view to closely monitoring financial sector developments and better assessing potential risks.
- Amendments to the RS Banking Agency law have been submitted to parliament, to bring the treatment of confidential information in line with EU practices. Parliamentary approval is expected before end-June (a structural benchmark for end-June 2013). This process had already been completed in the Federation and with the imminent completion also in the RS, this will help us to press forward with enhancing our cooperation with foreign bank supervisors, including by signing of Memoranda of Understanding with them.
- Amendments to the banking laws of both entities to limit the duration of provisional administration to one year with a possible six month extension have also been submitted to the respective parliaments. Parliamentary approval is expected by end-June 2013 (structural benchmarks for end-June 2013).

- The amendments to the law on the Deposit Insurance Agency (the submission of which had been an end-March 2013 structural benchmark) have been approved by the BiH parliament, enhancing the coverage and effectiveness of our deposit insurance system.

### **Further Reforms**

6. While gross indirect revenue has held up relatively well given modest economic growth, monitoring tax collection is at the top of our agenda as growing VAT refunds and weak collection of excises on tobacco products even after the recent rate increase begin to weigh on fiscal performance. The recently approved Rulebook on the Organization of Work Posts of the ITA will enable the ITA to function more efficiently. We will continue to monitor revenue collection and mandate the ITA to have its staff more focus on large taxpayers and to improve its work on the detection and prevention of VAT fraud. We will also review and clarify our VAT refund practices and harmonize excise rates on fine cut tobacco products with those on cigarettes, while continuing their convergence towards EU levels. We will continue to adjust the indirect tax revenue allocation coefficients on a quarterly basis, and will reach understandings on the settlement of any outstanding obligations. In addition, in the Federation we have started a modernization program of the FTA, with the assistance of the IMF. As a first step, we will prepare a revised Rulebook on Tax Administration by end-September 2013 that provides the director of the FTA with sufficient authority for the organizational design and human resource management.

7. A new corporate income tax law is under preparation in the Federation and is expected to be submitted to parliament by end-December 2013. This law, which provides broad conformity between tax and accounting principles, aims to broaden the tax base, while reducing deductions and tax expenditures.

8. We have also been working to strengthen the public procurement framework in BiH. A new procurement law has been drafted with the assistance of the OECD and the EU. This law, that will bring our procurement processes in line with EU legislation, will be submitted to the BiH parliament by end-September 2013 and we expect it to be approved by end-December 2013.

9. To improve fiscal reporting and especially the monitoring of spending arrears, in the Institutions of BiH and both entities we will establish procedures for budget users to enter commitment due dates into the Treasury system, starting July 1, 2013. The Institutions and both entities will establish a common definition of arrears by end-October 2013, with any amount that is

not paid within 90 days after the due date considered to be in arrears. In addition, in the RS the treasury system will be expanded to cover the health sector by end-March 2014, while in the Federation, the treasury system will be expanded to cover extra-budgetary funds by the same date. In the Federation efforts will also continue to integrate municipalities into the treasury system. We will also conduct a review of the Federation's treasury system by end-2013 to assess whether it can be sufficiently upgraded to meet all reporting requirements in a timely manner or whether a new system would need to be developed.

10. The challenging environment and the nature of our financial sector call for additional measures to further strengthen the capabilities of our crisis preparedness toolkit. We plan to define and agree upon detailed procedures describing the responsibilities of and the coordination between responsible institutions in the event of a systemic financial crisis (a new structural benchmark for end-December 2013). The members of the Standing Committee on Financial Stability will be responsible for the development of such over-arching contingency plans for financial stability. This will instill confidence that the members can ensure an orderly resolution in their responsible areas. We will request further technical assistance from the IMF to support us in the preparation of these procedures as well as in conducting crisis simulation exercises. In dealing with any problem banks, we will aim to limit potential costs to public finances and real economy while ensuring adequate safeguards to financial sector stability.

11. High levels of NPLs continue to pose a significant risk to our banking sector, adversely affecting financial intermediation. Together with IMF staff, we have conducted a thorough review of our NPL resolution framework. We have identified a number of areas for improvement in our legal and regulatory frameworks that we plan to implement over time with further assistance from the IMF:

- We will clarify the tax treatment of loan loss provisioning by banks in the new corporate income tax to be adopted in the Federation, to encourage provisioning. The RS will also review its tax treatment of loan loss provisioning to achieve the same objective.
- We will facilitate the operation of a secondary loan market by submitting legislation in line with IMF staff recommendations regulating the establishment and supervision of asset management companies to the respective entity parliaments (new structural benchmarks for end-June 2014). This new legislation will not only regulate the specifics of loan sales, but will also clarify the supervision, accounting, taxation, and provisioning rules as well as the duties

and responsibilities of the parties involved. Related laws will also be reviewed and amended as necessary to ensure consistency.

- We will also consider amendments to other legislation influencing our NPL resolution framework. In particular, we will review our corporate insolvency laws to strengthen restructuring provisions, reduce barriers to entry into bankruptcy, and speed up bankruptcy proceedings.
- Moreover, we will assess the feasibility of establishing an out-of-court restructuring mechanism so that viable companies have a better chance of remaining productive.
- In addition, a proposal of the law on protection of consumers of financial services, in line with IMF recommendations, will be submitted to parliament in the Federation by end-September 2013, and we expect its approval by end-December 2013. This law will clarify the rights and obligations of such consumers with a view to ensuring well-functioning and efficient banking and legal systems in the Federation.

12. As financial markets become ever more complex, we are mindful of the need to keep our laws in line with the latest developments. To ensure a proper regulation of our financial sector, we will proceed with a comprehensive review of our banking laws over the next year. The entities' Ministries of Finance and Banking Agencies, and the Deposit Insurance Agency, with assistance of the IMF staff, will prepare and submit to the respective entity parliaments new laws on banks and other lending institutions in line with IMF staff recommendations (new structural benchmarks for end-June 2014). These laws, meant to replace the existing banking laws, will represent a significant step forward to modernize and harmonize BiH's legal and regulatory framework on banks with EU legislation and will also further expand the toolkit for dealing with problem banks. The Deposit Insurance Agency Law will also be reviewed as needed to guarantee full consistency with the new laws. Meanwhile, we will maintain a single payment system in BiH, including the Single Registry of Accounts at the CBBH.

13. With persistently high unemployment, job creation has always been one of the greatest challenges facing BiH. In recent months, despite the first tentative signs of a turnaround in the economy, unemployment continued to creep up, only adding urgency to taking decisive actions. We are moving ahead with facilitating the start-up of new businesses, including by creating one-stop registration in the RS and drafting the new company law to achieve a similar objective in the Federation. Nevertheless, outdated labor laws continue to hinder employment growth. In this

context, we have started the process of drafting new labor laws, both in the Federation and in the RS, with a view to creating an environment more conducive to job creation while safeguarding appropriate workers' rights. Given the fundamental importance of these laws, which requires careful design and extensive consultation with stakeholders, we aim to have these new labor laws adopted by the respective parliaments by end-December 2013 (new structural benchmarks for end-December 2013).

14. Good progress has been made toward WTO accession. We have signed bilateral agreements with many WTO members, including the EU, and hope to conclude membership negotiations later this year. WTO accession is expected to help boost our external trade and further integrate our economy with the rest of the world. The tariff reductions are likely to reduce government revenues in the short term, however, underscoring the need to strengthen tax administration. In preparation for Croatia's accession to the European Union, we are finalizing procedures for the harmonization of standards on agricultural products with EU requirements and are preparing border control points to ensure uninterrupted trade flows.

### **Program Modalities**

15. We believe that our economic program continues to be on course and that our policies set forth in our Letter of Intent of September 11, 2012, and supplemented by the policies described in the supplementary Letters of Intent of December 6, 2012 and April 23, 2013, and this supplementary letter remain adequate to achieve the objectives of our program. We stand ready, however, to take any additional measures that may be needed to achieve the objectives of our economic program. We will consult with the IMF on the adoption of additional policy measures and in advance of any revision to the policies contained in our economic program, in accordance with IMF policies on such consultation. We will continue to provide IMF staff with the necessary information for assessing progress in implementing our program and will maintain a close policy dialogue with IMF staff.

16. In light of the continuing difficulties in assessing observance of the end-March 2013 ceiling on the accumulation of domestic arrears, for which data are not yet available for the lower-levels of government but for which there is no evidence that it was not observed, we request a waiver of applicability of this performance criterion. We also request the Executive Board to complete the third review under the SBA and approve the fourth purchase under the arrangement in the amount of SDR 33.82 million.

17. We authorize the IMF to publish this supplementary Letter of Intent and its attachments, as well as the related staff report on the IMF's website following consideration of our request by the IMF's Executive Board.

/s/

Vjekoslav Bevanda  
Chairman  
of the Council of Ministers  
Bosnia and Herzegovina

/s/

Nermin Nikšić  
Prime Minister  
Federation of Bosnia  
and Herzegovina

/s/

Željka Cvijanović  
Prime Minister  
Republika Srpska

/s/

Nikola Špirić  
Minister of Finance  
and Treasury of  
Bosnia and Herzegovina

/s/

Ante Krajinina  
Minister of Finance  
Federation of Bosnia  
and Herzegovina

/s/

Zoran Tegeltija  
Minister of Finance  
Republika Srpska

/s/

Kemal Kozarić  
Governor  
Central Bank of Bosnia and Herzegovina



**Table 1. Bosnia and Herzegovina: Quantitative Performance Criteria and Indicative Target Under the 2012–14 Stand-By Arrangement, 2012–13**

(Cumulative flow since the end of the previous year; in millions of KM)

	2012		2013		2013		
	End-December		End-March		End-June	End-September	End-December
	EBS/12/120	Act.	EBS/12/161	Act.	EBS/12/161		
<b>Performance Criteria</b>							
Floor on the net lending of 1/							
Institutions of BiH	-38.2	44.5	-15.0	6.1	-15.0	-20.0	-25.0
Federation central government	44.0	74.1	0.0	9.1	60.0	120.0	179.0
RS central government	-77.7	-33.0	10.0	17.2	10.0	30.0	120.0
Ceiling on contracting and guaranteeing of new nonconcessional short-term external debt by							
Institutions of BiH	0	0	0	0	0	0	0
Federation general government	0	0	0	0	0	0	0
RS general government	0	0	0	0	0	0	0
CBBH	0	0	0	0	0	0	0
Ceiling on accumulation of domestic arrears by							
Institutions of BiH	0	0	0	0	...	...	...
Federation general government 2/	0	...	0	...	...	...	...
RS general government 2/	0	...	0	...	...	...	...
Ceiling on accumulation of domestic arrears by 3/							
Institutions of BiH	...	0	0	0	0	0	0
Federation central government	...	0	...	...	0	0	0
RS central government	...	0	...	...	0	0	0
Ceiling on accumulation external payment arrears by 4/							
Institutions of BiH	0	0	0	0	0	0	0
Federation general government	0	0	0	0	0	0	0
RS general government	0	0	0	0	0	0	0
CBBH	0	0	0	0	0	0	0
<b>Indicative targets</b>							
Floor on the net lending of the general government of BiH 1/	-237.6	-375.9	-50.9	-68.0	-24.6	-97.1	-17.1
Ceiling on changes in the stock of "other accounts payable" 3/							
Federation general government	...	...	...	...	100.0	100.0	100.0
RS general government	...	...	...	...	160.0	160.0	160.0

1/ Excluding foreign financed projects as defined in TMU.

2/ The Executive Board approved modification of this performance criterion in April 2013 (EBS/13/45).

3/ Starting end-June 2013 (EBS/13/45).

4/ Continuous.

Table 2. Bosnia and Herzegovina: Structural Conditionality

Actions	Test date	Status
<b>Existing structural benchmarks</b>		
1 Continue to adhere to the Currency Board Arrangement as constituted under the law	Continuous	Met
2 Refrain from introducing new privileged or special rights for retirement	Continuous	Met
3 Publish on the web site of the Institutions of BiH quarterly consolidated general government accounts with a 6 week lag	Quarterly	Met with delay
4 Carry out eligibility audits for war benefit recipients; publish results (quarterly within 4 weeks after the end of each quarter) of audits (Entities)	Quarterly	Met with delay
5 Adopt a new law on budget in the Federation that improves data reporting and enhancing control over lower level governments, extra-budgetary funds, and public companies	End-May 2013	Not met; reset to end-September 2013
6 Sign a joint Memorandum of Understanding by the four tax agencies (ITA, FTA, RSTA, and BDTA) on data exchange to further improve the exchange of information	End-May 2013	Met with delay
7 Amend the banking law in the Federation to limit provisional administration to one year with a possible six month extension	End-June 2013	
8 Amend the banking law in the RS to limit provisional administration to one year with a possible six month extension	End-June 2013	
9 Amend the legal frameworks related to the treatment of confidential information in the Federation and the RS to align them with EU requirements	End-June 2013	
10 Establish a one-stop shop process for business registration in RS	End-September 2013	
11 Amend legislation in the RS to eliminate the take-home pay protection for public sector employees	End-December 2013	
<b>Newly proposed structural benchmarks</b>		
1 Adopt by the Federation parliament a new labor law with a view to facilitating job creation	End-December 2013	
2 Adopt by the RS parliament a new labor law with a view to facilitating job creation	End-December 2013	
3 Prepare the contingency plans for crisis preparedness and management in line with paragraph 10 of the supplementary Letter of Intent of [June xx], 2013.	End-December 2013	
4 Submit legislation in line with IMF staff recommendations regulating the establishment and supervision of asset management companies to the Federation parliament	End-June 2014	
5 Submit legislation in line with IMF staff recommendations regulating the establishment and supervision of asset management companies to the RS parliament	End-June 2014	
6 Submit to the Federation parliament a new draft law on banks and other lending institutions in line with IMF staff recommendations	End-June 2014	
7 Submit to the RS parliament a new draft law on banks and other lending institutions in line with IMF staff recommendations	End-June 2014	



Press Release No. 13/237

FOR IMMEDIATE RELEASE

June 28, 2013

International Monetary Fund  
Washington, D.C. 20431 USA

## **IMF Executive Board Completes Third Review Under SBA with Bosnia and Herzegovina and Approves €38.9 Million Disbursement**

The Executive Board of the International Monetary Fund (IMF) completed the third review under a two-year Stand-By Arrangement (SBA) with Bosnia and Herzegovina (BiH) on a lapse-of-time basis.<sup>1</sup> The completion of the review enables the disbursement of an amount equivalent to SDR 33.82 million (about €38.9 million), which will bring total disbursements under the arrangement to SDR 169.1 million (about €194.4 million).

The economy is showing tentative signs of recovery and modest growth of 0.5 percent continues to be projected for 2013. External and domestic risks to the growth outlook, however, while reduced, remain substantial.

The SBA remains on track. All end-March 2013 performance criteria (PCs) were met, although data to assess the criterion on the non-accumulation of domestic arrears by the general governments of the Federation of Bosnia and Herzegovina and the Republika Srpska are not yet available, due to delays in reporting by lower levels of government. In light of this difficulty and the fact that there is no indication that this PC was not met, the Executive Board approved a waiver of applicability of this PC. Continued progress was also made in implementing structural reforms aimed at strengthening public financial management and tax administration, and safeguarding financial sector stability.

The SBA with BiH was approved on September 26, 2012 (see [Press Release No. 12/366](#)) in an amount equivalent to SDR 338.2 million (about €388.9 million, or US\$508.6 million).

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<sup>1</sup> The Executive Board takes decisions under its lapse-of-time procedures when it is agreed by the Board that a proposal can be considered without convening formal discussions.