INTERNATIONAL MONETARY FUND

IMF Country Report No. 26/205

BOSNIA AND HERZEGOVINA

2026 ARTICLE IV CONSULTATION—PRESS RELEASE AND STAFF REPORT

July 2026

Under Article IV of the IMF's Articles of Agreement, the IMF holds bilateral discussions with members, usually every year. In the context of the 2026 Article IV consultation with Bosnia and Herzegovina, the following documents have been released and are included in this package:

- A **Press Release** summarizing the views of the Executive Board as expressed during its July 23, 2026 consideration of the staff report that concluded the Article IV consultation with Bosnia and Herzegovina.
- The **Staff Report** prepared by a staff team of the IMF for the Executive Board's consideration on July 23, 2026, following discussions that ended on June 16, 2026, 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 July 10, 2026.
- An **Informational Annex** prepared by the IMF staff.

The documents listed below have been or will be separately released.

*Selected Issues

The IMF's transparency policy allows for the deletion of market-sensitive information and premature disclosure of the authorities' policy intentions in published staff reports and other documents.

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International Monetary Fund
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PRESS RELEASE

PR26/262

IMF Executive Board Concludes 2026 Article IV Consultation with Bosnia and Herzegovina

FOR IMMEDIATE RELEASE

- *Growth is projected to slow to 2 percent in 2026 and inflation to rise to 5.4 percent. Risks are tilted to the downside, including weaker growth in Europe, high energy prices, political tensions, and declining competitiveness. Faster progress on EU accession reforms could significantly boost growth.*

- *A credible fiscal consolidation is urgently needed to put debt on a sustainable path, rebuild buffers, and improve spending quality. Avoiding further discretionary measures in 2026 will be key to limiting additional deficit widening.*

- *Financial stability requires vigilance and reforms. Safeguarding the currency board, closely monitoring risks from rapid credit growth and evolving financial conditions, strengthening crisis preparedness, advancing macroprudential tools, modernizing payment systems, and addressing AML/CFT gaps remain priorities.*

Washington, DC – July 28, 2026: The Executive Board of the International Monetary Fund (IMF) concluded the 2026 Article IV Consultation[1] for Bosnia and Herzegovina on a lapse-of-time basis.[2] The authorities have consented to the publication of the Staff Report prepared for this consultation.

Growth remains weak amid global and domestic headwinds. It is projected at 2 percent in 2026, after slowing to 2.1 percent in 2025, as the Middle East conflict—through higher energy costs and weaker external demand—offset strong consumption and fiscal support. Over the medium term, growth is expected to recover toward 3 percent but, without decisive reforms, will remain insufficient for meaningful EU income convergence. Driven by higher fuel prices and expansionary fiscal policy, inflation is projected to rise to 5.4 percent in 2026 from 4 percent in 2025. The current account deficit is expected to widen to 4.9 percent of GDP in 2026 (from 3.2 percent in 2025), reflecting higher energy imports and weak export growth.

The outlook is subject to elevated uncertainty and downside risks. Weaker growth in key trading partners, high energy prices, tighter global financial conditions and renewed domestic political tensions could dampen trade, investment, and remittances, leading to slower growth and wider external imbalances. Continued increases in unit labor costs risk eroding competitiveness, while climate-related shocks and the impact on exports from the EU's Carbon Border Adjustment Mechanism (CBAM) pose additional headwinds. On the upside, faster progress on EU-related reforms could strengthen confidence and support higher

[1] Under Article IV of the IMF's Articles of Agreement, the IMF holds bilateral discussions with members, usually every year. A staff team visits the country, collects economic and financial information, and discusses with officials the country's economic developments and policies. On return to headquarters, the staff prepares a report, which forms the basis for discussion by the Executive Board.

[2] The Executive Board takes decisions under its lapse-of-time procedure when the Board agrees that a proposal can be considered without convening formal discussions.

investment. Effective implementation could raise GDP growth between 0.5-1.0 percentage point over the longer term.

Executive Board Assessment

In concluding the 2026 Article IV consultation with Bosnia and Herzegovina, Executive Directors endorsed staff's appraisal as follows:

Growth remains modest and insufficient for rapid income convergence with the EU; risks are elevated. Growth is projected at 2 percent in 2026, before recovering gradually to around 3 percent over the medium term—well below the pace needed to narrow income gaps with the EU. Inflation has picked up, driven by higher energy prices. Risks are tilted to the downside, including weaker external demand, higher energy prices, tighter global financial conditions, and domestic political uncertainty. On the upside, stronger reform momentum—particularly under the EUGP—could boost confidence, investment, and growth.

A credible fiscal consolidation should begin not later than 2027 to ensure sustainability and support growth. Since 2022, expansionary policies—driven by large increases in untargeted social benefits and public wages—have raised public debt, weakened spending composition, and heightened risks. With limited scope before elections, further expansion in 2026 should be strictly avoided, with savings where possible. From 2027, consolidation should reduce deficits, lower financing needs, rebuild buffers, and create space for priority spending, especially public investment. Adjustment should be expenditure-based—rationalizing the wage bill and social benefits— complemented by growth-friendly revenue measures to broaden the tax base, strengthen progressivity, and improve administration. Aligning deficits with fiscal rules, updating fiscal frameworks in line with IMF TA, strengthening fiscal risk management and disclosure, and improving government finance statistics and transparency will help anchor adjustment and rebuild credibility.

Preserving the CBA and strengthening the CBBH policy toolkit are essential for macroeconomic stability. Maintaining strong reserves and safeguarding the institutional independence of the CBBH remain essential. Following up on the recommendations from the CBT Code review will support policy credibility and public trust. Within the CBA, refining the reserve requirements framework would enhance its effectiveness as the main monetary policy instrument. The gap between reserve remuneration and euro area rates should be reduced. Further improvements—better alignment with liability currency composition and introducing a tiered rate structure—would further enhance effectiveness.

The banking sector is sound, but vigilance and crisis preparedness are needed amid strong credit growth and rising risks, along with faster reform progress. Banks are well capitalized, liquid, and profitable, but rapid expansion in unsecured consumer lending and rising real estate prices warrant close monitoring. Temporary ad hoc measures should be replaced with a market-based macroprudential framework. Crisis preparedness should be strengthened, including by establishing a national-level Financial Stability Fund, enhancing coordination and crisis management arrangements, and continuing stress testing and recovery planning.
The macroprudential toolkit should be further developed by operationalizing borrower-based measures, introducing targeted limits if risks persist, and considering a positive neutral CCyB to offset regulatory easing and maintain consistent capital buffers across entities. Clear communication on the resilience of the banking sector and its strong compliance record will be

key to mitigating potential impacts of grey-listing. Advancing a joint FSAP would help identify remaining gaps and support reform momentum.

Energy sector reforms are needed urgently to improve viability, safeguard competitiveness—including given EU CBAM—and accelerate decarbonization. Advancing tariff reform, accompanied by measures to protect vulnerable households, is key to ensuring financial sustainability as continued reliance on cross subsidization through export revenues will be strained. Accelerating diversification from coal and introducing carbon pricing—potentially through transitional instruments (carbon tax) pending establishment of an ETS—would help internalize emissions costs, retain revenues domestically, and support energy transition. Advancing electricity market regional integration would deepen competition, strengthen price signals, and facilitate cross-border trade.

Structural reforms are essential to raise sustainable growth. Strengthening anti-corruption frameworks, judicial integrity, and public procurement is essential to reduce risks and strengthen investor confidence. Labor market reforms should focus on increasing participation, reducing informality, and addressing skills mismatches, while containing wage pressures to preserve competitiveness. Timely implementation of the FATF action plan—centered on strengthening the AML/CFT legal and regulatory framework and enhancing inter-agency coordination across entities—is essential for BiH's removal from the FATF grey list. Effective implementation of reforms under the EUGP and EU accession provide a tangible opportunity to improve the business environment and raise potential growth and living standards. Notwithstanding political fragmentation and differences, this opportunity should not be missed.

Table 1. Bosnia and Herzegovina: Selected Economic Indicators, 2022–2031

	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
				Prel.			*Projections*			
Nominal GDP (KM billion)	45.6	49.9	53.8	56.6	61.0	65.1	69.0	73.0	77.3	81.7
Gross national saving (percent of GDP)	23.0	23.8	23.2	24.1	23.3	23.5	23.6	23.8	23.7	23.7
Gross investment (percent of GDP)	27.3	26.0	26.7	27.3	28.1	28.1	28.1	28.1	28.0	27.9
					(Percent change)					
Real GDP	4.2	2.0	3.2	2.1	2.0	2.7	3.0	3.0	3.0	3.0
GDP deflator	11.8	7.3	4.3	3.0	5.8	3.9	2.9	2.8	2.7	2.6
CPI (period average)	14.0	6.1	1.7	4.0	5.4	3.1	2.0	2.0	2.0	2.0
Money and credit										
Base money	3.3	-1.7	5.2	3.0	--	--	--	--	--	--
Broad money	5.5	7.7	9.3	9.7	--	--	--	--	--	--
Credit to the private sector	4.9	7.4	9.3	10.6	10.2	--	--	--	--	--
					(Percent of GDP)					
Operations of the general government										
Revenue, *of which*:	39.5	40.2	41.3	42.8	42.5	42.7	42.7	42.8	42.8	42.9
Taxes	21.8	21.9	22.8	23.3	23.3	23.3	23.4	23.5	23.5	23.6
Social security contributions	14.2	14.8	15.2	16.0	15.9	15.9	15.9	15.9	15.9	15.9
Expenditure	39.2	41.8	43.2	45.4	46.6	47.0	47.2	47.3	47.3	47.4
of which: Investment expenditure	3.8	4.2	4.4	4.5	5.1	5.2	5.2	5.2	5.2	5.3
Fiscal balance	0.3	-1.6	-1.9	-2.5	-4.0	-4.3	-4.5	-4.5	-4.5	-4.5
Primary fiscal balance	0.9	-0.7	-0.9	-1.6	-3.2	-3.1	-3.1	-3.0	-2.8	-2.7
Total general government debt	31.3	29.1	28.9	29.4	32.0	33.8	36.0	38.3	40.5	42.7
Domestic general government debt 1/2/	8.3	9.3	10.1	10.9	12.4	14.4	16.4	18.8	21.1	23.5
External general government debt	23.0	19.7	18.8	18.6	19.6	19.4	19.5	19.5	19.4	19.2
					(Percent of GDP)					
Balance of payments										
Exports of goods and services	48.3	43.9	40.7	41.0	40.3	39.4	38.6	38.1	37.6	37.1
Imports of goods and services	61.9	55.7	54.1	54.1	55.1	53.5	52.4	51.6	50.9	50.2
Trade balance	-13.6	-11.8	-13.4	-13.1	-14.7	-14.1	-13.7	-13.5	-13.3	-13.1
Current transfers, net	10.5	10.1	10.1	9.9	9.9	9.7	9.6	9.7	9.7	9.6
Current account balance	-4.4	-2.1	-3.5	-3.2	-4.9	-4.7	-4.5	-4.4	-4.3	-4.3
Foreign direct investment (+=inflow)	3.4	3.7	3.0	1.6	2.6	2.5	2.5	2.5	2.5	2.6
Gross official reserves (Euro million)	8,276	8,443	8,992	9,314	9,777	9,957	10,276	10,825	11,342	11,828
(In months of imports)	7.0	6.8	6.9	6.5	6.6	6.5	6.4	6.5	6.6	6.6
(In percent of monetary base)	107.8	111.3	114.5	114.8	--	--	--	--	--	--
(In percent of IMF ARA metric)	115.4	113.8	113.6	111.0	--	--	--	--	--	--
External debt 3/	52.2	48.1	45.7	48.6	46.9	46.8	47.1	47.8	48.3	48.6
Memorandum Items:										
Unemployment rate (national definition)	15.4	13.2	12.7	12.2	--	--	--	--	--	--
GDP per capita (Euros)	6,716	7,368	7,954	8,393	9,078	9,718	10,328	10,968	11,639	12,340
Output gap (in percent of potential GDP)	1.6	0.8	1.2	0.5	-0.3	-0.4	-0.3	-0.1	0.0	0.0
REER (index 2016=100)	102.4	103.6	103.0	105.2	--	--	--	--	--	--
NEER (index 2016=100)	117.4	120.4	122.4	124.6	--	--	--	--	--	--

Sources: BiH authorities; and IMF staff estimates and projections.
1/ On average, half of the domestic debt stock is indexed to the Euro.
2/ The stock of general government domestic debt does not include domestic arrears and those of public enterprises.
3/ Includes inter-company loans in private external debt.

INTERNATIONAL MONETARY FUND

BOSNIA AND HERZEGOVINA

STAFF REPORT FOR THE 2026 ARTICLE IV CONSULTATION

July 10, 2026

KEY ISSUES

Context: Reforms, including under the EU Growth Plan, have stalled and inter-entity cooperation is weak. With October elections approaching, fiscal pressures have risen. Larger deficits in both entities (FBiH, RS) are projected to be financed primarily through foreign borrowing. The financial sector is generally healthy amid high household credit growth. The currency board arrangement (CBA) coverage ratio is high and stable.

Outlook: Growth is projected to edge down from 2.1 percent in 2025 to 2 percent in 2026 before rising to around 3 percent over the medium term—below the pace needed for faster income convergence with the EU. Inflation is projected to rise from 4 percent in 2025 to 5.4 percent in 2026, driven mainly by higher fuel prices, before easing to 3.1 percent in 2027. Risks are elevated, including heightened geopolitical tensions, weaker growth in Europe and domestic political uncertainty. Fiscal expansion beyond 2026 could raise sustainability risks. On the upside, reduced political fragmentation could support EU accession and stronger growth.

Policy recommendations:

- ***Fiscal policy***: A credible medium-term consolidation is urgently needed but is likely to begin only in 2027 given October elections. Should there be another bout of fuel price pressures, support should be temporary and targeted, while existing fuel support should be phased out. The authorities should not undertake any new discretionary measures in 2026, with any savings used to rebuild buffers. Consolidation should combine spending restraint—especially wages, transfers, and social benefits—with growth-friendly revenue broadening. Stronger, well-enforced fiscal rules will be key to durable consolidation.
- ***Monetary policy***: The CBA should be safeguarded by aligning reserve remuneration with external conditions to support reserve accumulation.
- ***Financial sector policies***: To support financial stability, risks from rapid unsecured credit growth and the bank-sovereign nexus should be closely monitored, payments reforms completed, distortionary measures replaced by market-based tools, and macroprudential policy and financial crisis preparedness frameworks introduced across both entities.
- ***Structural reforms***: Priorities include implementing AML/CFT reforms to exit the FATF grey list, strengthening labor and financial markets, improving governance and the business environment, and reducing corruption risks—all aligned with EU Growth Plan milestones.

Approved By:
Mark Horton (EUR) and Jacques Miniane (SPR)

Discussions were held in Sarajevo and Banja Luka during June 3–16, 2026. The mission comprised D. Amaglobeli (head), I. Stuart, C. De Resende (EUR), A. Tudyka (Resident Representative), B. Radzewicz-Bak, A. Shah (FAD), A. de Castro (LEG), A. Diallo (SPR), and B. Čegar Babić and A. Musić (local economists). E. Cohn Bech and C. Yoo (EUR) assisted in the preparation of the report. S. Teskeredžić and N. Fazlagić (Resident Representative office) assisted in mission planning and logistics. The mission met with Central Bank of Bosnia and Herzegovina (BiH) Governor Selimović, Federation of BiH (FBiH) Prime Minister Nikšić, Republika Srpska (RS) Prime Minister Minić, FBiH Finance Minister Kraljević, RS Finance Minister Vidović, other senior government officials, and representatives of the business and diplomatic communities. The mission did not meet with the BiH Fiscal Council. M. van Rij and H. Abaspahić (OED) attended mission meetings.

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ANNEXES

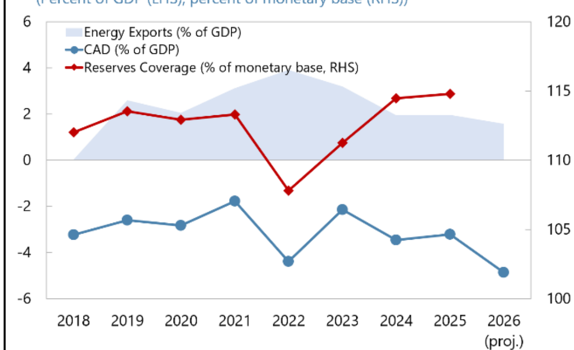
CONTEXT

1. **The political environment remains unfavorable for reforms.** Political tensions eased in late 2025, when Republika Srpska (RS) President Milorad Dodik stepped down, presidential elections were held in RS, U.S. sanctions were lifted, and talks were launched on construction of a gas pipeline to reduce dependency on Russia. Despite this, fragmentation and uncertainty have continued, with stalled reforms, external shocks, and populist policies weighing on growth. Growth slowed to 2.1 percent in 2025 and is projected to slow further in 2026. Weak coordination has delayed EU accession reforms under the Growth Plan (EUGP) and hindered AML/CFT reforms, contributing to the country's placement on the FATF grey list. Pre-election expansionary fiscal policies—largely financed through external borrowing—have widened imbalances and, if unaddressed, could weaken medium-term growth. With per capita income at about 35 percent of the EU average, potential growth of 3 percent will mean that income convergence with the EU will take decades (Annex VI). EU accession provides a credible path to stronger growth and convergence.[1]

RECENT DEVELOPMENTS

2. **The recovery that began in H2:2025 has lost momentum.** Growth slowed in 2025 due to weaker activity in trade and construction and declines in manufacturing and electricity output. Household consumption rebounded in H2:2025 and grew strongly in early 2026 as minimum-wage and public-sector wage increases lifted real wages by 9.7 percent y-o-y in December 2025, and unemployment declined to 11.1 percent (2024: 11.7).[2] However, the recovery has been derailed in 2026 by weaker manufacturing and exports, reflecting lower coal and steel production and already-weak trading-partner demand, further exacerbated by the war in the Middle East. GDP growth was estimated at 2.2 percent in 2026Q1. Inflation averaged 4 percent in 2025 (2024: 1.7 percent), mainly reflecting higher food prices. Inflation rose to 4.6 percent in May 2026, driven by higher fuel prices.

Current Account, Energy Exports, and Reserves Coverage
(Percent of GDP (LHS); percent of monetary base (RHS))



Sources: National Authorities; and IMF staff calculations.

3. **Gross reserves—key for the currency board arrangement (CBA)—are adequate.** Coverage of the monetary base stood at about 115 percent as of end-2025, while the external current account deficit (CAD) declined to 3.2 percent of GDP in 2025 (2024: 3.5 percent), reflecting a 1 percentage point of GDP increase in goods exports. The services balance weakened amid softer tourism receipts. Although the energy import bill declined to 6.1 percent of GDP, the external position remains vulnerable to energy price shocks. Overall, the external position in 2025 was assessed moderately stronger than implied by fundamentals and desirable policies (Annex III). In

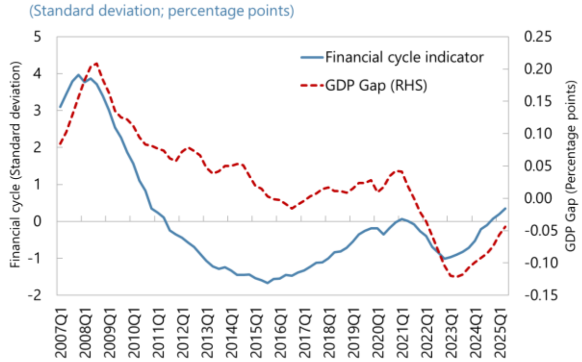
[1] Income per capita gains in past accession rounds exceeded 30 percent a decade after accession, driven evenly by increased productivity and faster capital accumulation (IMF Departmental Paper, forthcoming).
[2] Higher real wages are likely due to large minimum wage increases in early-2025, while lower unemployment may reflect a growing services sector.

2026Q1 the CAD widened to 5.5 percent of GDP, although reserves remain adequate. Recent real exchange rate dynamics vis-à-vis TFP and rising domestic costs point to some erosion in competitiveness (Annex VII).

4. **Despite higher revenues, the general government deficit widened to 2.5 percent of GDP in 2025 (1.9 percent in 2024), reflecting higher current spending.** Discretionary increases in social benefits (by ¾ percent of GDP)[3] alongside higher wages (½ ppt) and realization of contingent liabilities at the state level (0.2 ppt)[4] were key drivers. Revenues rose by 1½ ppt, mainly due to higher social security contributions (SSC) (0.8 ppt) and personal income tax receipts (PIT) (0.2 ppt), as strong wage growth more than offset the impact of the mid-year reduction in SSC rates in Federation of Bosnia and Herzegovina (FBiH). Indirect tax revenues also increased (0.2 ppt), supported by resilient consumption. The entities financed their deficits largely through foreign borrowing, including a €350 million (1.8 percent of FBiH GDP) debut FBiH Eurobond and a €245 million (2.6 percent of RS GDP) RS bilateral loan.

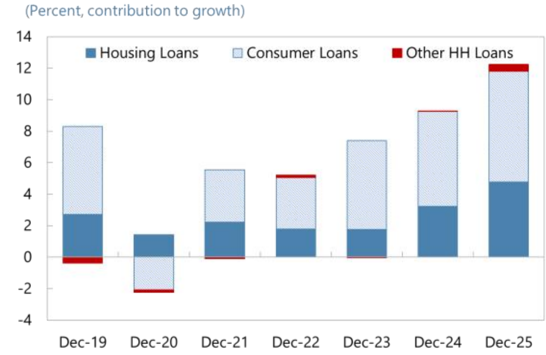
5. **Credit growth remains strong, while financial soundness indicators signal resilience.** Banks remain well capitalized and profitable, with nonperforming loans declining to 2.4 percent by end-2025 (2024: 3.2 percent). Liquidity tightened in late 2025 due to government deposit withdrawals but remains adequate. Central bank (CBBH) stress tests confirm the resilience of the banking sector to major shocks. Private credit expanded by 10.6 percent, driven mainly by household lending, particularly unsecured consumer loans[5], with the credit-to-GDP ratio continuing its recovery toward the long-term trend. Banks' net claims on the public sector rose from 0.4 percent in 2022 to 9.1 percent in April 2026. Fast credit growth is both a result of, and likely fueling, the sharp rise in housing prices (Figure 4). While bank holdings of government securities remain below regulatory limits, weaker demand at recent domestic auctions signals reduced appetite at current yields. Capital outflow pressures, which eased in 2025, may increase with the ECB's tightening cycle.

Composite Indicator of Financial Cycle (Standardized)
(Standard deviation; percentage points)



Sources: CBBH; and IMF staff calculations.

Household Loans
(Percent, contribution to growth)



Sources: CBBH; and IMF staff calculations.

[3] In addition to discretionary increases, the change in social benefits in 2025 reflects reclassification of spending on goods and services of FBiH health funds (3.8 percent of GDP at end-2024) as transfers, in line with IMF TA advice and the 2014 GFSM. The authorities have not revised historical series.

[4] In July 2025, the Viaduct arbitration case, which stemmed from a hydropower concession dispute in RS, was settled by the Ministry of Finance and Treasury of Bosnia and Herzegovina (BiH).

[5] These loans carry maturities of 5-7 years and have higher interest rates than housing loans. Banking agencies cap such loans at KM 50,000 and 10 years and are considering shortening maturity to mitigate over-borrowing risk.

OUTLOOK AND RISKS

6. **Growth is projected to slow in 2026 before gradually rising to 3 percent over the medium term.** Despite weaker manufacturing and exports, robust household consumption and a large fiscal impulse will support growth of 2 percent in 2026 (2025: 2.1 percent), assuming the geopolitical tensions remain contained (Box 1). Inflation, which rose to 4 percent in 2025 due to food prices, will increase to 5.4 percent in 2026 with higher fuel prices, before declining to 3.1 percent in 2027 and 2 percent over the medium term. The output gap will widen to -0.3 percent of potential GDP in 2026, with growth reaching potential from 2028, supported by robust household and public consumption and stronger export growth in line with the EU recovery.[6]

7. **The external position is projected to weaken in 2026, although reserve buffers will remain strong.** The CAD is projected to widen from 3.2 percent of GDP in 2025 to 4.9 percent, driven by stronger domestic demand. Higher consumption and investment, supported by the looser fiscal stance, will boost imports, while weaker external demand keeps export growth subdued. Rising fuel imports will add to pressures. Tourism and remittances will continue to support the services balance, but only partly offset the widening goods deficit. The external position is expected to improve gradually over the medium term as import pressures ease and exports stabilize. Despite the near-term deterioration, reserves are projected to remain adequate to support the CBA.

8. **Fiscal pressures have intensified ahead of the October elections.** The consolidated deficit is projected to widen from 2.5 percent of GDP in 2025 to 4 percent in 2026, driven by the large discretionary fiscal expansion at the entity level. In FBiH, higher pensions (new indexation formula), social benefits, and wages are the main drivers, with pressures persisting beyond 2026.[7] The revenue shortfall largely reflects the full-year impact of the reduction in SSC rates. In RS, loosening reflects wage hikes, higher pensions and social benefits, and increased subsidies and public investment. Most measures are permanent, with an estimated

Central Government Fiscal Measures in FBiH and RS for 2026-27 1/

Fiscal Measures	Overall Budget Impact in 2026			Overall Budget Impact in 2027		
	KM mln	% of entity GDP	% of BiH GDP	KM mln	% of entity GDP	% of BiH GDP
Federation of BiH						
Additional 12.4% CG salary increase	42.6	0.1%	0.1%	42.6	0.1%	0.1%
Increase in old-age pensions due to pension formula change	284.9	0.7%	0.5%	414.0	1.0%	0.6%
Increase in war veteran, disability and social assistance spending due to the change in pension formula and the increase in minimum wage	73.3	0.2%	0.1%	73.3	0.2%	0.1%
Total Expenditure	**400.8**	**1.0%**	**0.7%**	**529.9**	**1.2%**	**0.8%**
Full-year impact of July 2025 SSC rate cut	-167.0	0.4%	0.3%	-167.0	0.4%	0.3%
Total Revenue	**-167.0**	**0.4%**	**0.3%**	**-167.0**	**0.4%**	**0.3%**
Net Fiscal Impact	**567.8**	**1.4%**	**0.9%**	**696.9**	**1.6%**	**1.1%**
Republika Srpska						
Public sector wage adjustments (including health sector)	122.4	0.6%	0.2%	216.8	1.0%	0.3%
Discretionary increase in war veterans and disability allowance	126.6	0.6%	0.2%	182.6	0.9%	0.3%
Transfers to other government units	288.5	1.5%	0.5%	0.0	0.0%	0.0%
Additional public investment spending	174.0	0.9%	0.3%	0.0	0.0%	0.0%
Subsidies (fuel price subsidy, KM 0.10/l, and subsidies to PEs)	64.9	0.3%	0.1%	0.0	0.0%	0.0%
Extra-ordinary pension adjustment (3.55%) and one-off assistance	62.0	0.3%	0.1%	76.8	0.4%	0.1%
Discretionary increase in other social spending (maternity and caregiver parental allowances)	29.9	0.2%	0.0%	71.7	0.3%	0.1%
Total Expenditure	**868.3**	**4.4%**	**1.4%**	**547.9**	**2.6%**	**0.8%**
Higher PIT and SSC from public wage growth	21.7	0.1%	0.0%	34.8	0.2%	0.1%
Abolishment of tax exemption on government securities	7.0	0.0%	0.0%	0.0	0.0%	0.0%
Total Revenue	**28.7**	**0.1%**	**0.0%**	**34.8**	**0.2%**	**0.1%**
Net Fiscal Impact	**839.6**	**4.3%**	**1.4%**	**513.1**	**2.4%**	**0.8%**
Total Net Fiscal Impact (for FBiH and RS)	**1,407.4**	**5.7%**	**2.3%**	**1,210.0**	**4.1%**	**1.9%**

Sources: BiH authorities; and IMF staff estimates.

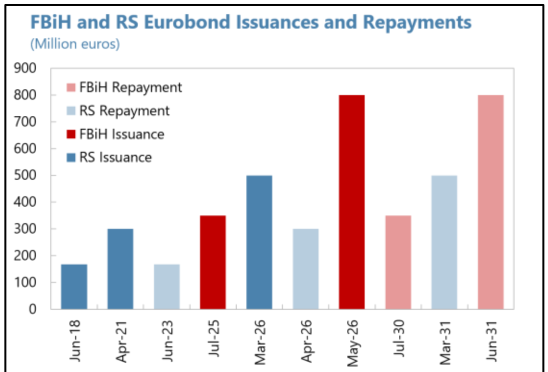
1/ The table includes discretionary fiscal measures that have already been incorporated into the 2026 budgets of both entities and the supplementary budget adopted by Republika Srpska in June 2026.

[6] Staff estimate BiH's potential GDP growth at around 3 percent—in line with other Western Balkan countries. Declining competitiveness (see Annex VII) and an aging workforce could reduce potential growth over time, while implementation of the EUGP (Annex VI) could raise it.

[7] The new indexation formula—introduced in January, linked to wage growth and inflation, and updated semi-annually—entails sizable fiscal costs, amid strong wage growth. Given already-high social spending and adverse demographics, it poses rising risks to fiscal sustainability.

combined fiscal cost of about 2.3 percent of GDP in 2026, and 1.9 percent of GDP in 2027, significantly raising financing needs.

9. The large financing needs are being met through new external market borrowing, putting public debt on a non-stabilizing, upward path. RS issued a €500 million Eurobond (5 percent of RS GDP) in March and privately placed another Eurobond of €250 million in May, partly to refinance a maturing €300 million Eurobond. FBiH issued €800 million (3.9 percent of FBiH GDP) in June. The baseline assumes €172 million of disbursements under the EUGP for 2026–28.[8] Public debt is projected to rise to about 43 percent by 2031, although sovereign stress risks remain moderate (Annex V).



Sources: RS and FBiH Ministries of Finance.

10. Credit growth is expected to remain strong in 2026, driven by household lending. Consumer loans (10 percent y-o-y growth by April) and mortgages (21 percent) continue to expand, adding to risks from rising house prices. The bank–sovereign nexus is likely to strengthen further as government borrowing rises; higher government financing needs may push up lending rates and crowd out private credit. Delays in AML/CFT reforms led to recent FATF grey-listing; while direct effects on banks are limited, this could increase capital outflows, disrupt payments, and reduce FDI. By contrast, financial stability risks from non-financial corporations remain contained (see SIP). A possible new ECB tightening cycle not matched by increases in the CBBH's reserve remuneration rate could reignite and exacerbate the risk of capital outflows.

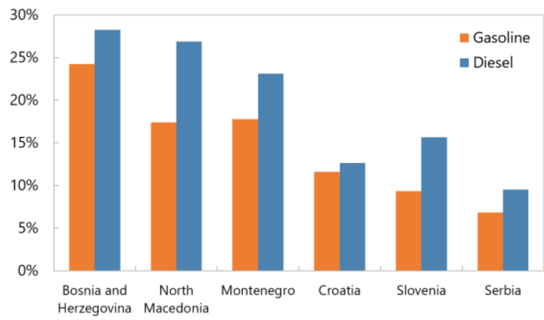
11. The outlook is subject to downside risks. A slowdown in Europe and a renewed surge in energy prices could weaken trade and investment, further lowering growth by about 0.4 ppt in 2026 (Box 1). Political tensions and tighter global financial conditions could further weigh on growth and reserves. Strong wage and credit growth could fuel inflation and raise unit labor costs, eroding competitiveness. Additional risks stem from climate shocks and the EU's Carbon Border Adjustment Mechanism (CBAM). Rising unit labor costs and recent real exchange rate appreciation add further headwinds (Annex VII). On the upside, effective implementation of the EUGP could lift GDP growth by 0.2 ppt per year over the next three years, increasing over the longer term to 0.5 ppt under partial implementation, and 1 ppt under full implementation (Annex VI).

[8] This represents less than 20 percent of the total allocation of €976 million for BiH (after a 10 percent downward adjustment resulting from BiH's delayed submission).

Box 1. Impact of the War in the Middle East and Contingent Policies under Adverse Scenarios

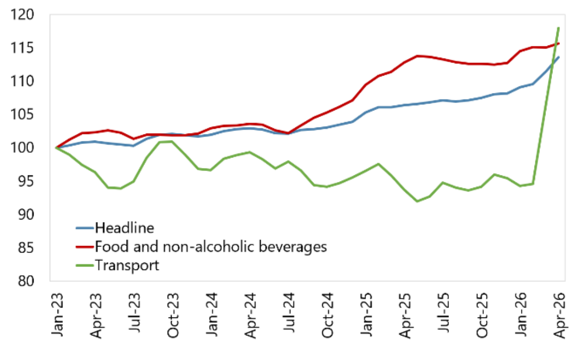
The impact of the war in the Middle East has been mainly transmitted through higher fuel prices, with additional spillovers via trade and financial conditions. Fuel prices rose sharply—the largest increase in the Western Balkans—with transport inflation increasing by 25 percent between February and April, exceeding the spike observed after Russia's invasion of Ukraine. Fuel excise revenues rose by 25 percent in March, reflecting a one-off surge in oil imports, before declining sharply in April-May, possibly due to a precautionary inventory buildup. While Middle East tourism—about 11 percent of overnight stays in 2025—declined markedly, total foreign overnight stays still rose by 2.2 percent year-on-year in January–April. An escalation in geopolitical tensions could weigh on exports, raise import costs, and tighten financial conditions, thereby weakening growth and increasing inflation pressures.

Fuel Price Changes in the Western Balkans
(Percent change, February 23–June 15, 2026)



Sources: Global Petrol Prices database; and IMF staff calculations.
Note: Percent changes calculated from local currency prices converted to USD.

CPI: Headline, Food, and Transport
(Index, January 2023=100)



Sources: Bosnia and Herzegovina authorities; and IMF staff calculations.

The immediate response has been to limit the pass-through of high fuel prices. RS introduced maximum margins on fuels, while FBiH maintained the existing caps. In addition, RS introduced a KM 0.10 per-liter fuel discount for households and businesses, at a fiscal cost of 0.1 percent of RS GDP, effective through July 15. At the state level, proposed amendments to allow the council of ministers to temporarily reduce fuel excises were approved by the lower house but blocked in the upper house.

Should commodity prices escalate again, policy support should be targeted, temporary and proportional to shock. Higher inflation and tighter financial conditions would erode real incomes and dampen consumption and investment, while weaker external demand would weigh on exports. Support should be calibrated to the severity of the shock to cushion households—and, if needed, viable firms—while preserving incentives to reduce consumption. Broad-based measures, such as VAT or excise cuts and other price distorting interventions (including caps), should be avoided. Properly targeted measures with limited fiscal cost would not materially worsen debt dynamics, even under tighter financing conditions. In an extreme downside scenario—marked by energy shortages, a recession, and declining revenues—authorities would need to activate contingency plans, including cuts to non-priority spending and emergency financial sector and energy supply measures.

Accelerating structural reforms is critical, including during a downturn. Progress on governance, the rule of law, the business climate, labor markets, and fiscal and financial institutions would support resilience, advance EU accession, and help unlock concessional and grant financing under the EUGP, thereby mitigating macroeconomic and financing pressures.

Box 1. Impact of the War in the Middle East and Contingent Policies under Adverse Scenarios (Concluded)

Scenario	Description and Macro Effects	Contingent Policy Measures
Pre-war	Improved domestic political and global conditions were expected to support recovery in GDP growth (2026: 2.6 percent; 2027: 3 percent) and lower inflation (2026: 2.7 percent; 2027: 2.1 percent). Oil price per barrel of $65 (2026) and $63 (2027).	
Baseline	The war in the Middle East and the associated energy price shock reduce GDP growth (2026: 2.0 percent; 2027 2.7 percent) and increase inflation (2026: 5.4 percent; 2027: 3.1 percent). Oil price per barrel of $89 (2026) and $79 (2027).	***Fiscal*** **:** Allow automatic stabilizers to operate. If elevated prices persist, provide targeted and temporary support to vulnerable households. ***Financial*** **:** Adjust the reserve remuneration rate to narrow interest-rate differentials, targeting a market-neutral, UIP-consistent rate that ensures that ECB policy stance is transmitted to domestic financial conditions, thus preventing capital outflows; continue the phased implementation of the fulfillment of reserve requirements for foreign currency liabilities in foreign currency, and introduce a tiered structure based on residual maturity of local currency liabilities; closely monitor credit conditions and trends, banks' liquidity indicators, and exposures to the domestic public sector; avoid additional distortionary regulatory measures; facilitate banks' ability to mobilize liquidity from parent companies; strengthen crisis preparedness and contingency planning; require banks to update and maintain contingency plans; and enhance coordination between supervisory and regulatory agencies (entity banking agencies and ministries of finance), the CBBH, and the Deposit Insurance Agency. ***Structural*** **:** Develop contingency plans for potential supply disruption scenarios.
Severe	In line with the IMF's WEO April 2026 'Severe' scenario oil prices per barrel are $112 (2026) and $125 (2027). Natural gas, food and sovereign spreads rise. Growth slows further (2026: 1.6 percent; 2027: 2.3 percent) while inflation spikes (2026: 7.2 percent; 2027: 9 percent). Gross reserves decline by 17 and 23 percent in 2026–27, respectively, due to BOP pressures and valuation losses from tighter financial conditions, reducing import coverage by 1.3 and 1.8 months. CBA coverage improves slightly as monetary liabilities contract faster than reserves.	***Fiscal*** **:** Possible measures include: (i) one-off cash transfers to vulnerable households, using categorical targeting, given the limited social assistance coverage; (ii) temporary bill smoothing (or discounts) for poorer households, with an upfront price adjustment to preserve incentives; and (iii) if needed, time-bound support for the most affected viable firms, conditional on energy conservation. If revenues fall, cut non-essential spending to create fiscal space. ***Financial*** **:** If system-wide liquidity tightens materially, consider lowering reserve requirements, implementing rules-based use of prudential and liquidity buffers to safeguard financial stability and policy credibility, encouraging banks to mobilize liquidity from parent or euro-area banks against high-quality collateral. ***Structural*** **:** Enhance monitoring of market conditions, strengthen public communication to encourage conservation, and stress-test contingency plans for potential supply disruptions. If disruptions materialize, contingency measures should be activated, including rationing supply to priority users (e.g., emergency services, healthcare, and food supply chains) and reinforcing inter-agency crisis coordination.

Sources: IMF staff; and IMF World Economic Outlook (April 2026).

Authorities' Views

12. **The authorities agreed with staff's projections and risk assessment.** They concurred that the war in the Middle East has exacerbated the slowdown and raised inflation through higher fuel prices. For 2026, they project growth at 1.9 percent and inflation at 4.7 percent. They highlighted important risks, including a further weakening in industrial production and stronger inflationary pressures. Compared with staff, the authorities expect a faster recovery in 2027–28—projecting an average of 3.4 percent—while inflation trajectories are broadly aligned.

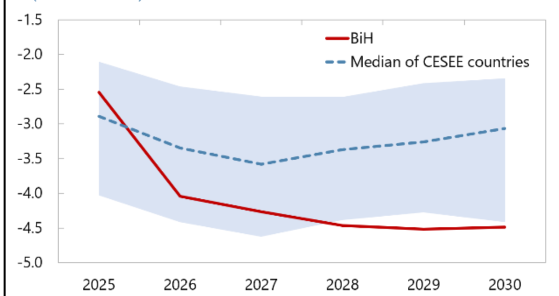
POLICY DISCUSSIONS

Under current policies, fiscal deficits will remain elevated, putting debt on a sharply rising path as spending quality deteriorates and debt service crowds out productive outlays. Larger deficits will widen financing needs, heighten rollover risks, amplify the bank–sovereign nexus, and exacerbate imbalances. Credible consolidation is essential to stabilize debt and restore discipline. Strengthening the CBA and reserve requirement frameworks, closely monitoring risks, enhancing financial integrity, and improving crisis preparedness are key to financial stability. Accelerating structural reforms and advancing EU accession would support income convergence.

A. Fiscal Policy and Reforms

13. Given the expansionary fiscal stance, the authorities should avoid further deficit-widening measures, begin fiscal consolidation as soon as possible, and rebuild buffers. While recent Eurobond issuances have eased financing constraints, they have enabled fiscal expansion, worsening spending composition, adding to inflationary pressures, crowding out productive investment, and widening external imbalances. Without corrective action, debt will remain on a non-stabilizing path, undermining fiscal sustainability, macroeconomic stability and policy credibility. If financing conditions tighten, risks of a disorderly adjustment will be higher (Annex IV). Moreover, current fiscal plans are inconsistent with entity-level fiscal rules.[9] With scope for adjustment likely limited before October elections, the immediate priority is to avoid additional expansion in 2026, save any expenditure under-execution or revenue over-performance to build buffers, and prepare a credible post-election consolidation. Any response to energy price shocks should be temporary and targeted, with price signals allowed to pass through; in this context, the temporary fuel excise waiver in RS should be reconsidered. Contingency measures should also be developed for an adverse scenario (Box 1).

Fiscal Deficit in BiH and CESEE Countries
(Percent of GDP)



Sources: IMF World Economic Outlook; and IMF staff projections.
Note: Median of CESEE countries include Albania, Belarus, Bulgaria, Croatia, Czechia, Estonia, Hungary, Kosovo, Latvia, Lithuania, Moldova, Montenegro, North Macedonia, Poland, Romania, Russia, Serbia, Slovakia, Slovenia, and Türkiye.

14. Near- and medium-term fiscal risks are elevated. Key risks stem from election-related spending pressures and revenue shortfalls from weaker growth and contingent liabilities from international arbitration cases.[10] Risks are compounded by recurrent delays in adopting state-level budgets, forcing state-level institutions to rely on temporary financing, limiting their ability to adjust wages and other spending and thus to effectively coordinate and implement country-wide reforms. Tax policy changes, such as differentiated VAT rates, new exemptions, and other tax incentives, could erode the tax base and result in revenue losses.

15. Consolidation planning should begin immediately and be implemented no later than 2027. Adjustment is required to reduce the primary deficit from 3.2 percent of GDP to the debt-stabilizing level of 0.5 percent of GDP over the medium term, anchored in a credible MTFF and supported by strict adherence to fiscal rules. Consolidation should be expenditure-led, complemented by growth-friendly revenue measures.

- ***Expenditures.*** A key priority is rationalizing the wage bill, ideally through a functional review to align staffing with service delivery, as compensation increases and allowances have widened a positive public-private wage gap while public employment remains high by international standards (Annex VIII). This would help contain wage pressures, preserve competitiveness and

[9] Box 1 of IMF CR No. 2025/252 assessed fiscal rule implementation.

[10] Proposals currently under discussion are universal child and additional war veterans' allowances in FBiH (each estimated at about 1¼ percent of FBiH GDP), and a tax-exempt 13th salary in RS (0.4 percent of RS GDP).

create fiscal space for priority investment. Reforms should also focus on pensions, subsidies, improving the targeting of social benefits (including through an integrated social registry), and strengthening capital spending efficiency by implementing IMF PIMA recommendations.[11]

- ***Revenues.*** In addition to improvements in revenue administration, reducing PIT and CIT exemptions, broadening the VAT base while preserving the single-rate structure, broadening the SSC base by bringing currently exempt allowances (e.g., meal and transport) into the base, enhancing PIT progressivity, modernizing property taxation, and introducing a uniform taxation of dividends and capital gains should be considered.

Reform Options to Support Medium-Term Fiscal Consolidation

Measure	Estimated Annual Yield (% of GDP)
Expenditure measures	
Rationalize public sector wage bill	
by limiting discretionary salary increase	0.60
by reducing workforce through attrition and eliminating redundancies	1.00
Reform pensions	
by adopting equal weights for wages and inflation in the FBiH pension indexation formula	0.20
by increasing retirement age to 67	0.02
Reduce discretionary transfers to subnational governments	0.40
Rationalize subsidies (agriculture, SOEs, energy)	up to 0.8
Revenue measures	
Broaden VAT base; reduce exemptions	Up to 4.1
Remove PIT and CIT exemptions	Up to 2.0
Raise CIT rate toward 15 percent	Up to 0.5
Introduce 20 percent PIT rate on top two deciles	Up to 0.3
Modernize property taxation	Depends on design
Tax dividends and capital gains uniformly	Depends on rate

Sources: World Bank PFR (2024); and IMF FAD TA.

16. To support sustainability and mitigate rising fiscal risks, both entities should pursue decisive structural fiscal reforms:

- ***Strengthen fiscal rule frameworks***, by restoring compliance through sustained fiscal consolidation. In FBiH, in line with IMF technical assistance recommendations, strengthen design by clarifying the definition and application of the current balance rule across all levels of government, harmonizing accounting and reporting practices, establishing a credible correction mechanism, while underpinning these reforms with stronger fiscal institutions, oversight, coordination, and fiscal risk management.
- ***Enhance fiscal data provision, risk management and disclosure***, including analyzing risks from SOEs and publication of a fiscal risk statement. Risk management should be expanded to include guarantees, pension projections, sub-national governments, and contingent liabilities.[12]
- ***Advance Indirect Tax Authority (ITA) reforms*** focusing on risk-based compliance and audits, arrears management, HR modernization, stronger data analytics, and deeper cooperation between entity-level revenue administrations and the ITA and aligned with EU customs and VAT standards.
- ***Strengthen PIM,*** including through improved project appraisal and selection, stronger costing and budgeting practices, centralized project pipelines, and enhanced implementation and monitoring capacity to ensure the efficient use of EUGP-supported investment.

[11] On expenditure, reforms should focus on recalibrating the pension indexation formula by reducing the weight of wages and lengthening the indexation interval, gradually raising the statutory retirement age to 67, tightening eligibility criteria—particularly for early retirement and privilege pensions—and strengthening assessments for disability and survivor benefits. Better targeting of social assistance, through enhanced means testing, consolidation of fragmented programs, and improved beneficiary registries, would help contain costs while improving equity. On subsidies and transfers, priority should be given to rationalizing the largest categories—support to public enterprises and businesses, improving the targeting of agricultural subsidies to reduce leakages and enhance efficiency, and reducing discretionary transfers to lower levels of government. Detailed PIMA recommendations can be found in IMF TA Report, *Bosnia and Herzegovina: Public Investment Management Assessment*, March 2025.

[12] In April 2026, state-owned mine and thermal power plant RiTE Ugljevik settled €37 million in remaining interest claims, payable through 2031, ending the International Centre for Settlement of Investment Disputes (ICSID) arbitration. BiH's estimated contingent liabilities from arbitration cases fell from 4 to 1.8 percent of GDP. The remaining cases arise from similar investor-state disputes in energy and mining.

Authorities' Views

17. Both entities acknowledged rising fiscal pressures and highlighted challenges of implementing consolidation from 2027. The FBiH authorities broadly agreed with staff's assessment, underscoring fiscal management challenges amid political fragmentation. They noted risks of additional spending in 2026—including proposals to expand war veteran benefits and introduce a universal child allowance—but did not expect these to affect the 2026 budget. They supported gradual consolidation from 2027, targeting a deficit reduction of at least 0.5 percent of GDP, while noting that the 2027 budget will reflect the priorities of the new government. To support consolidation, they pointed to improvements in revenue administration, including Electronic Fiscal Reporting (fiscalization), SSC and PIT base broadening, better targeting of social benefits, restraint in wage bill growth, and pension reform. They recognized compliance challenges with the FBiH fiscal rule and viewed gradual consolidation as the appropriate path to restore compliance. The RS authorities pointed to their track record of fiscal discipline, while acknowledging pressures in 2026 to support households amid elevated inflation. They noted the constraints to consolidation in an election year, indicating that policies in 2027 are likely to remain broadly unchanged. At the state level, the authorities expressed concern over delays in adopting annual budgets that have held back wage adjustments, though recent legislation is expected to allow retroactive pay increases.

B. CBA and Financial Sector Policies and Reforms

18. Close monitoring of the credit cycle and the introduction of macroprudential tools are essential to contain systemic risks. While the increase in the credit-to-GDP ratio largely reflects post-pandemic normalization, the sustained pace of credit growth and its concentration in unsecured consumer lending warrant vigilance. Supervisors in both entities should intensify prudential oversight, including bank-by-bank monitoring of credit and liquidity risks, and strengthen borrower-level risk surveillance. They should also accelerate development and deployment of borrower-based measures (LTV, DTI, DSTI, amortization limits) to be in a better position to contain emerging household risks, alongside activation of a CCyB to mitigate vulnerabilities, bringing Bosnia and Herzegovina (BiH)'s framework in line with peers. Introducing a limited lender-of-last-resort (LOLR) function at the CBBH could also be considered, carefully designed to preserve the integrity of the CBA and ensure consistency with its mandate.

Use of Capital Buffers in Western Balkans

Capital buffers	Albania	BiH 1/	Kosovo	Montenegro	North Macedonia	Serbia
Capital conservation (CCoB)	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%
Countercyclical (CCyB)	0.5%	NA	positive neutral rate of 2%	1%	1.75%; 2% from Oct. 2026	0%
Systemically important institutions (D-SIB)	0.5% to 1.0% (< 3.0% in 0.5pp steps)	<3% in 0.5pp steps	0.38–1.13% (effective range with a set max of 1.5%)	0-2%	1-3.5%	0–2%
Systemic risk (SyRB)	NA	0-2%	NA	1.5% (>1%)	currently 0% (range 1-3%)	3% of FX placements to NFC/HH (min. 1%, steps 0.5pp)

Sources: FBiH and RS Banking Agencies; Bank of Albania; Central Bank of Kosovo; Central Bank of Montenegro; National Bank of the Republic of North Macedonia; and National Bank of Serbia.
1/ Figures for BiH refer to policies designed and implemented at the entity level, even when inter-entity coordination results in common parameters across entities.

19. Financial sector reforms have advanced, but further strengthening the financial safety net and macroprudential frameworks is needed to enhance crisis preparedness and stability. Recent progress includes the completion of banking bylaws on minimum requirements for own funds and eligible liabilities and preparations for borrower-based measures. At the state level, the Deposit Insurance Agency plans to renew its EBRD backstop credit line, while the deposit insurance fund has grown faster than insured deposits, lifting the coverage ratio. However, temporary and distortive measures—including limits to fully market-based lending rates, residency-based capital flow management measures on sovereign exposures, and loan moratoria—should be phased out in favor of market-based macroprudential and supervisory tools, including to reduce regulatory arbitrage.[13] The recent reduction of minimum capital requirements in RS (from 12 to 10 percent) should be reconsidered, or alternatively, FBiH could pursue a comparable reduction in Pillar I capital requirements, accompanied by the activation of a positive neutral CCyB buffer of 200 bps in both entities to keep overall capital buffers unchanged. Progress toward a unified macroprudential framework and a single bank resolution fund remains limited. Moreover, the absence of macroprudential instruments and emergency liquidity tools at the CBBH constrains the policy response to financial stress, leaving reserve requirements as the primary instrument in the event of shocks (Box 1).[14] The authorities should request a joint IMF financial sector assessment (FSAP).

20. Payment system modernization is progressing, but critical steps remain. The CBBH's RTGS system migrated to ISO 20022 standards in April, and the TIPS-clone platform enabling 24/7 instant payments will launch in July. However, progress toward Single Euro Payments Area (SEPA) accession has been slow, reflecting weak inter-agency coordination and delays in legislation, with the submission date again postponed. Priorities include completing the formal SEPA application, adopting enabling legislation in both entities, strengthening coordination, and implementing a communication strategy to support market uptake.[15] Completing MONEYVAL reforms is also critical to address the FATF grey-listing, which could hinder SEPA accession and have broader adverse structural effects, including on capital flows.[16]

21. Preserving the credibility of the CBA requires coherent reserve, liquidity, and institutional policies anchored in a strong and independent CBBH. Aligning the reserve remuneration rate with ECB's monetary policy stance would help support reserve accumulation and domestic liquidity, provide the CBBH with a policy instrument, and reduce the need to rely on distortionary supervisory measures to curb foreign exposures. Further refinements to the FX reserve

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[13] Both RS and FBiH extended soft lending-rate caps through mid-2026 and are expecting to shift to a credit-risk approach that requires higher provisioning for lending rate increases above 200 bps.

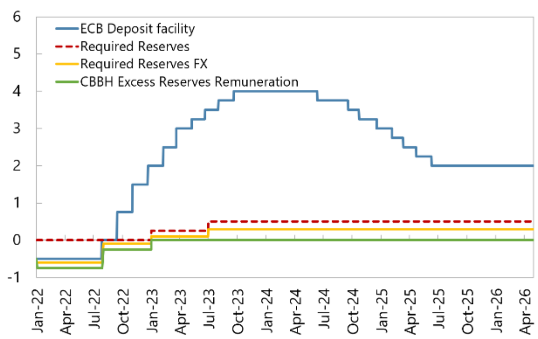
[14] In the absence of lender-of-last-resort capacity at the CBBH, liquidity risks are mitigated by the strong presence of foreign-owned banks with access to parent-bank support during severe stress.

[15] A World Bank study finds that SEPA corridors reduced average cross-border B2B transaction costs by about 90 percent while significantly increasing processing speed.

[16] Avoiding grey-listing would have required closing key remaining gaps, including adopting state-level laws on the confiscation and management of illicit assets; FBiH and Brčko District-level actions to establish a beneficial ownership registry and related regulations; and amendments to the Law on International Legal Assistance.

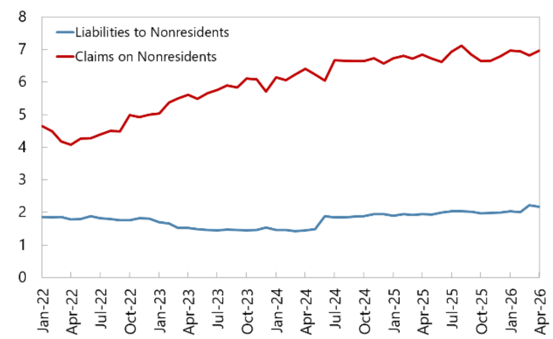
requirement framework—including continuing the phased alignment of reserve requirements on foreign currency liabilities with their currency composition, introducing a tiered rate structure based on the residual maturity of local currency liabilities, and implementing other recent IMF TA recommendations—would strengthen the role of reserve requirements as a macroprudential tool, help reduce rollover risks for banks, improve liquidity management, and mitigate euroization pressures. Safeguarding CBBH institutional independence is essential for policy credibility. Building on the strong foundation of a high degree of transparency, as highlighted in the recent IMF Central Bank Transparency (CBT) Code review, the CBBH should further enhance disclosures on governance arrangements, risk reporting, human capital management practices, and the analytical basis of its reserve requirement policy.

Remuneration on Required and Excess Reserves
(Percent)



Sources: CBBH; and IMF staff calculations.

Banks' Foreign Assets and Liabilities
(Billion KM)



Source: CBBH.

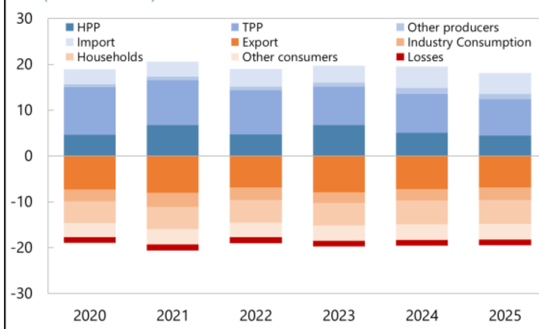
Authorities' Views

22. **The authorities agreed with staff on safeguarding the CBA, strengthening financial sector resilience, and advancing reforms, while acknowledging implementation and coordination challenges**. They reaffirmed the importance of preserving CBBH independence, maintaining strong reserves, and upholding the CBA, and were open to refining reserve requirements, including narrowing the gap with euro area rates and introducing tiering. They highlighted progress in payment system modernization, including SEPA preparations and the rollout of the TIPS-clone platform, and recognized that addressing AML/CFT deficiencies and the implications of the FATF grey-listing will be critical. While noting that banks remain sound and credit growth broadly consistent with strong balance sheets, they acknowledged emerging risks—particularly in consumer lending and real estate—and are advancing macroprudential tools, including borrower-based measures and a CCyB. They agreed on strengthening crisis preparedness and coordination, while underscoring banks' strong buffers, ongoing contingency planning, and potential parent-bank support. They pointed to gradual harmonization across entity-level macroprudential policy approaches and a shift toward a more market-based framework.

C. Energy Policies

23. BiH's energy sector has deep structural weaknesses. Generation is constrained due to declining coal output, underinvestment, and weak maintenance, while hydropower—accounting for one-third of supply—is sensitive to hydrological conditions. Regulated household tariffs—set below cost-recovery levels—and limited cost pass-through distort price signals, weakening efficiency, discouraging investment, and weighing on utility financial positions.[17] The tariff structure has been sustained by cross-subsidization from electricity export revenues, but declining coal output and volatile hydrology have made exports less reliable; the CBAM will further weaken this model. Addressing these vulnerabilities requires aligning tariffs with costs—while protecting vulnerable households—and accelerating investment to diversify generation, particularly renewables and flexible backup capacity, alongside deeper market liberalization and regional integration.

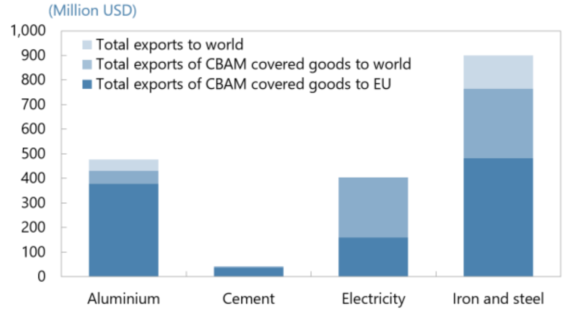
Energy Balance in BiH
(Thousand GWh)



Sources: BHAS; and IMF staff calculations.
Note: HPP=hydroelectric power plants; TPP=thermal power plants.

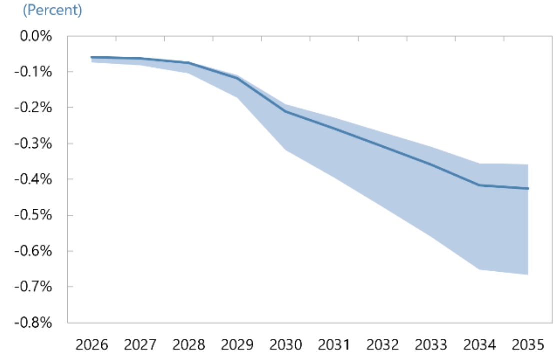
24. CBAM, in effect from 2026, poses risks to exports and competitiveness. Its current scope affects 11 percent of exports, given significant EU sales of aluminum, cement, electricity, and iron and steel. The electricity sector already faces the full CBAM charge, irrespective of the underlying energy source, while CBAM charges on industrial products will be phased in over the next decade. Early evidence points to a diversion of electricity exports to non-EU markets—a strategy that may not be sustainable, particularly as Western Balkan trading partners expand their own generation capacity. Staff analysis suggests that absent offsetting domestic policy measures, CBAM could reduce BiH's real GDP by around 0.4 to 0.7 percent by 2035 (SIP).

Exports of CBAM Covered Products by Sector and Destination, 2024
(Million USD)



Sources: UN Comtrade; and IMF staff calculations.
Note: CBAM is applied only to a subset of products within each sector.

Sensitivity - ETS Price Range: 75-150 Euros
(Percent)



Source: IMF staff calculations.

[17] The gap between regulated and market-consistent prices has been estimated at 28 percent in 2021–22 and 50 percent in 2023 (*OECD, Energy Prices and Subsidies in the Western Balkans*, 2025).

25. CBAM creates incentives to accelerate decarbonization, improve energy efficiency, and align with EU standards. An immediate priority is establishing robust emissions Monitoring, Reporting, and Verification (MRV) systems in line with EU standards to demonstrate lower emissions intensity and reduce CBAM costs. Over the medium term, incentivizing investments in energy efficiency and equipment modernization and a cleaner energy mix will be critical. Introducing domestic carbon pricing would allow BiH to retain revenues that would otherwise accrue to the EU under CBAM while strengthening decarbonization incentives; revenues should be used productively to offset adverse macroeconomic impacts (SIP). Further electricity market integration and progress toward an EU-aligned, state-level emissions trading system (ETS) by 2030 would support efforts to secure CBAM exemption for electricity exports, although current progress suggests this may be difficult to achieve within the required timeframe. Transitional options—such as a carbon tax or excise—could be implemented more quickly using existing systems.[18] Regardless of the instrument, revenues should be recycled to support emissions-intensive firms and protect vulnerable households (SIP).

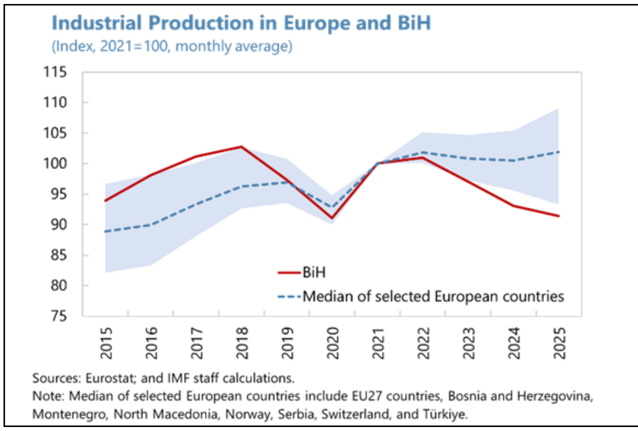
Authorities' Views

26. The authorities acknowledged the adverse effects of CBAM, particularly on the electricity sector. They noted that the currently observed export diversion is unlikely to provide a sustainable medium-term solution. With electricity exports—including renewable—subject to CBAM and no power exchange in place, they expressed concern about negative implications for clean energy investment and decarbonization. They recognized that securing a CBAM exemption for electricity remains uncertain, given limited progress on key requirements: the state-level electricity law, which would establish a power exchange and enable market coupling with the EU, is still pending and the ETS roadmap, while drafted, has not been adopted. Achieving EU alignment by 2030—required for an exemption—was seen as challenging and an exemption unlikely without a negotiated solution. Beyond the ETS, they indicated that no immediate plans for interim carbon pricing instruments are under consideration; efforts in other sectors focused on raising awareness and supporting firms' compliance, particularly SMEs.

D. Structural Reforms

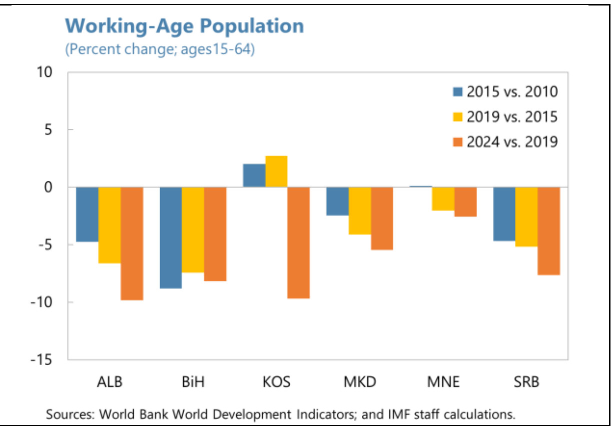
27. Medium-term growth potential is constrained by long-standing structural factors. Political fragmentation is limiting reform progress, including on EU accession, weighing on the business climate. Since 2022, the weakening of industrial production, employment in tradable sectors, and export capacity points to eroding competitiveness alongside sharply rising unit labor costs and the appreciated real effective exchange rate (Annex VII). These headwinds are compounded by aging and emigration.

[18] Illustrative SIP scenarios suggest that carbon pricing could significantly support BiH's climate goals. Introduced in 2027 and phased in gradually, it could close the gap to the authorities' Nationally Determined Contribution (NDC) target by 34 percent by 2030. BiH aims to reduce GHG emissions by 12.8 percent by 2030 (relative to 2014) and reach net zero by 2050.



Industrial Production in Europe and BiH
(Index, 2021=100, monthly average)

Sources: Eurostat; and IMF staff calculations.
Note: Median of selected European countries include EU27 countries, Bosnia and Herzegovina, Montenegro, North Macedonia, Norway, Serbia, Switzerland, and Türkiye.

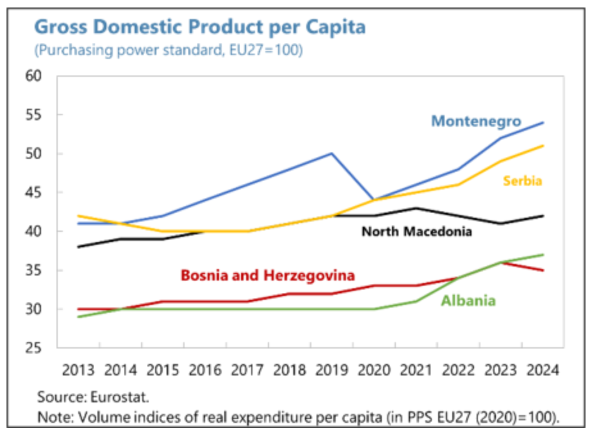


Working-Age Population
(Percent change; ages15-64)

Sources: World Bank World Development Indicators; and IMF staff calculations.

28. Effective implementation of the EUGP would accelerate accession and lift potential growth (Annex VI). Delays in ratifying EU-BiH agreements and appointing a national coordinator are slowing progress; some reforms remain politically contentious. Full implementation could raise potential growth to 4 percent—1 ppt. above baseline—with additional upside from stronger investment or faster accession. Even partial implementation would deliver meaningful gains.

29. Governance reforms remain macrocritical and central to EU integration, but progress in strengthening integrity, rule of law and public procurement has been limited. BiH continues to underperform on corruption indicators and recent reforms have had limited impact. Asset declaration is fragmented and limited in scope, procurement risks remain elevated including due to non-competitive bidding and overpricing, and the judiciary is vulnerable to political interference. Formal progress includes the 2024–28 Anti-Corruption Strategy, the new state-level conflict-of-interest law, operationalizing the asset declaration framework for judges and prosecutors, and preparatory work on procurement reform. However, public access to declarations is partial, while key institutions face capacity and coordination constraints. Evidence that these reforms have improved the authorities' ability to prevent corruption remains limited. Governance and rule of law reforms are also central to EU accession and the EUGP, whose effective implementation could unlock financing, support investment, and raise potential growth; priorities should include stronger implementation and coordination of the anti-corruption strategy, greater capacity to verify asset declarations, enhanced judicial integrity and independence, and improved procurement oversight (Annex IX).



Gross Domestic Product per Capita
(Purchasing power standard, EU27=100)

Source: Eurostat.
Note: Volume indices of real expenditure per capita (in PPS EU27 (2020)=100).

30. Delays in addressing AML/CFT deficiencies resulted in FATF grey-listing, with potential adverse implications on the financial sector and FDI. BiH has been added to the grey list in June 2026 due to shortcomings in its overall AML/CFT framework, in particular the understanding of ML/TF risks, weak implementation of preventive measures outside the banking sector, the absence of a beneficial ownership registry, as well as delays in passing laws and regulations to implement Targeted Financial Sanctions (TFS), asset confiscation and recovery. The listing may hinder correspondent banking relationships, disrupt cross-border financial flows, and constrain inward FDIs. The authorities have committed to implementing the FATF action plan to address the gaps identified in the MONEYVAL 2024 mutual evaluation report and to strengthen the effectiveness of the AML/CFT framework.

31. Labor market reforms should raise participation, reduce informality, and rebalance incentives between public and private employment. Priorities include expanding access to affordable childcare, strengthening active labor market policies, and improving skills matching. In 2025, the FBiH lowered the employer SSC rate and introduced proportional contributions for some part-time workers. April 2026 amendments streamline work permit procedures to ease hiring of foreigners in sectors facing skill shortages. Further reductions in the labor tax wedge—supported by base broadening (e.g., taxation of allowances and dividends)—would support formal private-sector job creation. At the same time, containing public wage bill growth would help limit crowding-out and mitigate competitiveness losses (Annex VII).

32. The disagreement on a comprehensive state-level framework for public property hinders investments in public infrastructure. While recent IMF PIMA assessments found that fixed asset registers are generally comprehensive, regularly updated, and readily accessible, broader strategic and legal issues related to state property remain unresolved. The impact is widely felt, contributing to delays in public infrastructure investments, and constraining the expansion of renewable energy projects. Recent FBiH legislation designating the Southern Gas Interconnector (SGI[19]) as a strategic project for energy security and diversification has catalyzed discussions on mechanisms to allocate state-owned land, particularly for strategic projects. Lifting or relaxing the High Representative's current ban on the disposal of state property is widely seen as a necessary step in removing this major constraint on growth.

33. The authorities are making progress with data dissemination. BiH has transitioned to revised GDP data, in line with COICOP. Still, there is a need to further enhance statistical quality, particularly national accounts and GFS, supported by IMF TA (Annex X).

Authorities' Views

34. The authorities acknowledged the need to address AML/CFT shortcomings and accelerate EU accession reforms, while pointing to political fragmentation slowing implementation of the EUGP reform agenda. They highlighted efforts to improve the business environment, including new legislation in the FBiH to promote hiring of foreign workers with scarce skills, and efforts to strengthen active labor market policies. They are already taking steps to implement MONEYVAL priority actions that would take BiH off the FATF grey list. They reiterated

[19] SGI would connect BiH to Croatia's Krk LNG terminal, enabling LNG imports and supply to three planned gas-fired power plants. Total investment (pipeline, power plants) to be fully financed by private investors (and U.S. ExImBank) is €1.3 billion. RS is considering construction of a gas pipeline (€530 million) on its territory.

their commitment to governance and anti-corruption reforms. The authorities are keenly aware that the disagreement on a state-level framework for public property ownership is holding back many large infrastructure projects.

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35. **Growth remains modest and insufficient for rapid income convergence with the EU; risks are elevated.** Growth is projected at 2 percent in 2026, before recovering gradually to around 3 percent over the medium term—well below the pace needed to narrow income gaps with the EU. Inflation has picked up, driven by higher energy prices. Risks are tilted to the downside, including weaker external demand, higher energy prices, tighter global financial conditions, and domestic political uncertainty. On the upside, stronger reform momentum—particularly under the EUGP—could boost confidence, investment, and growth.

36. **A credible fiscal consolidation should begin not later than 2027 to ensure sustainability and support growth.** Since 2022, expansionary policies—driven by large increases in untargeted social benefits and public wages—have raised public debt, weakened spending composition, and heightened risks. With limited scope before elections, further expansion in 2026 should be strictly avoided, with savings where possible. From 2027, consolidation should reduce deficits, lower financing needs, rebuild buffers, and create space for priority spending, especially public investment. Adjustment should be expenditure-based—rationalizing the wage bill and social benefits— complemented by growth-friendly revenue measures to broaden the tax base, strengthen progressivity, and improve administration. Aligning deficits with fiscal rules, updating fiscal frameworks in line with IMF TA, strengthening fiscal risk management and disclosure, and improving government finance statistics and transparency will help anchor adjustment and rebuild credibility.

37. **Preserving the CBA and strengthening the CBBH policy toolkit are essential for macroeconomic stability.** Maintaining strong reserves and safeguarding the institutional independence of the CBBH remain essential. Following up on the recommendations from the CBT Code review will support policy credibility and public trust. Within the CBA, refining the reserve requirements framework would enhance its effectiveness as the main monetary policy instrument. The gap between reserve remuneration and euro area rates should be reduced. Further improvements—better alignment with liability currency composition and introducing a tiered rate structure—would further enhance effectiveness.

38. **The banking sector is sound, but vigilance and crisis preparedness are needed amid strong credit growth and rising risks, along with faster reform progress.** Banks are well capitalized, liquid, and profitable, but rapid expansion in unsecured consumer lending and rising real estate prices warrant close monitoring. Temporary ad hoc measures should be replaced with a market-based macroprudential framework. Crisis preparedness should be strengthened, including by establishing a national-level Financial Stability Fund, enhancing coordination and crisis management arrangements, and continuing stress testing and recovery planning. The macroprudential toolkit should be further developed by operationalizing borrower-based measures,

introducing targeted limits if risks persist, and considering a positive neutral CCyB to offset regulatory easing and maintain consistent capital buffers across entities. Clear communication on the resilience of the banking sector and its strong compliance record will be key to mitigating potential impacts of grey-listing. Advancing a joint FSAP would help identify remaining gaps and support reform momentum.

39. Energy sector reforms are needed urgently to improve viability, safeguard competitiveness—including given EU CBAM—and accelerate decarbonization. Advancing tariff reform, accompanied by measures to protect vulnerable households, is key to ensuring financial sustainability as continued reliance on cross subsidization through export revenues will be strained. Accelerating diversification from coal and introducing carbon pricing—potentially through transitional instruments (carbon tax) pending establishment of an ETS—would help internalize emissions costs, retain revenues domestically, and support energy transition. Advancing electricity market regional integration would deepen competition, strengthen price signals, and facilitate cross-border trade.

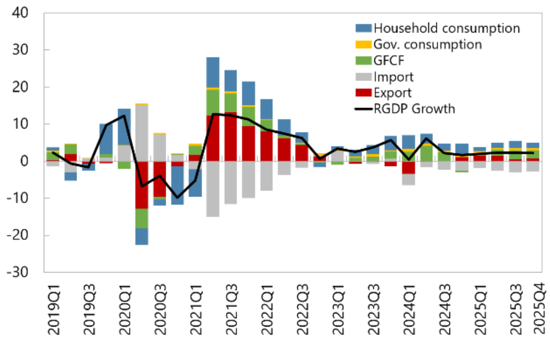
40. Structural reforms are essential to raise sustainable growth. Strengthening anti-corruption frameworks, judicial integrity, and public procurement is essential to reduce risks and strengthen investor confidence. Labor market reforms should focus on increasing participation, reducing informality, and addressing skills mismatches, while containing wage pressures to preserve competitiveness. Timely implementation of the FATF action plan—centered on strengthening the AML/CFT legal and regulatory framework and enhancing inter-agency coordination across entities—is essential for BiH's removal from the FATF grey list. Effective implementation of reforms under the EUGP and EU accession provide a tangible opportunity to improve the business environment and raise potential growth and living standards. Notwithstanding political fragmentation and differences, this opportunity should not be missed.

41. It is recommended that the next Article IV Consultation takes place on the standard 12-month cycle.

Figure 1. Bosnia and Herzegovina: Selected Economic Developments

Weaker household consumption and private investment reduced growth in 2025…

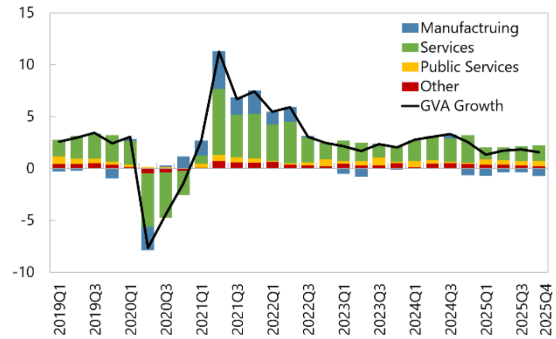
Real GDP Growth - Demand Side
(Percent)



Sources: BHAS; and IMF staff calculations.

…resulting in a slowdown in the trade sector…

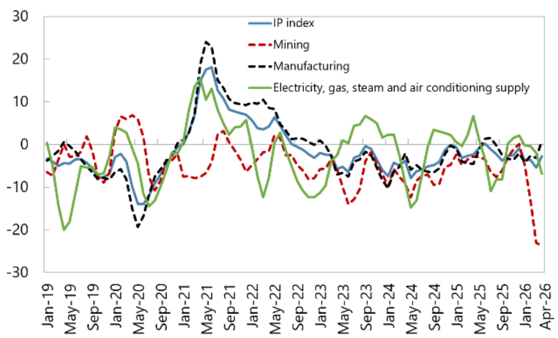
Real GDP Growth - Supply Side
(Percent)



Sources: BHAS; and IMF staff calculations.

…while industrial production continued to contract.

Industrial Production
(Year-on-year percent change; 3-month moving average)



Sources: BHAS; and IMF staff calculations.

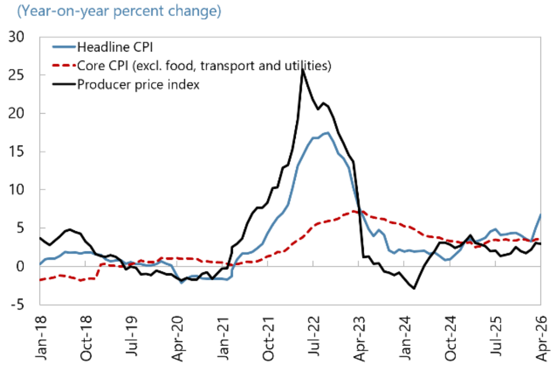
Even so, unemployment continued to decline and labor participation increased.

Labor Market
(Number of employed people (LHS); percent (RHS))

Sources: BHAS; and IMF staff calculations.

After slowing in the second half of 2025, CPI inflation spiked in March 2026…

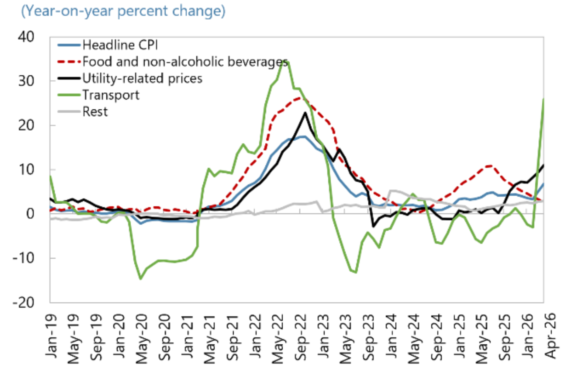
Headline CPI, Core CPI, and PPI
(Year-on-year percent change)



Sources: BHAS; CCBH; and IMF staff calculations.

…driven mainly by higher energy prices.

CPI by Main Items
(Year-on-year percent change)

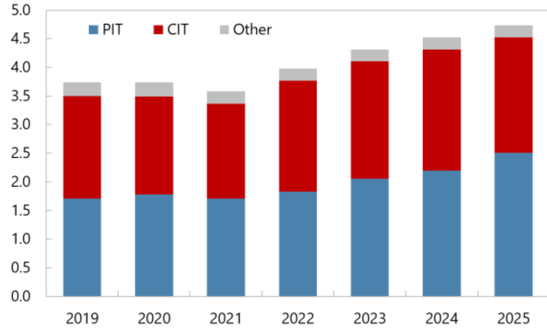


Sources: BHAS; and IMF staff calculations.

Figure 2. Bosnia and Herzegovina: Fiscal Sector

Stronger wage growth and higher prices have supported increases in PIT and CIT revenues.

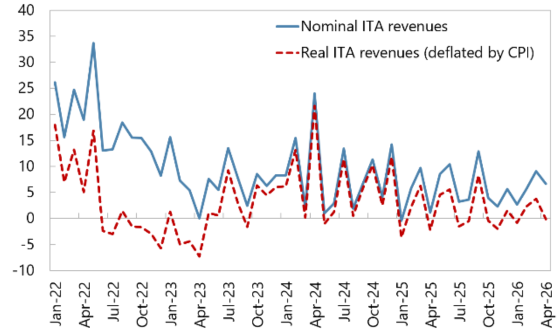
Direct Taxes
(Percent of GDP)



Sources: MoF; and IMF staff calculations.

ITA revenue growth has slowed from its 2022 peak, turning negative in real terms in early 2026.

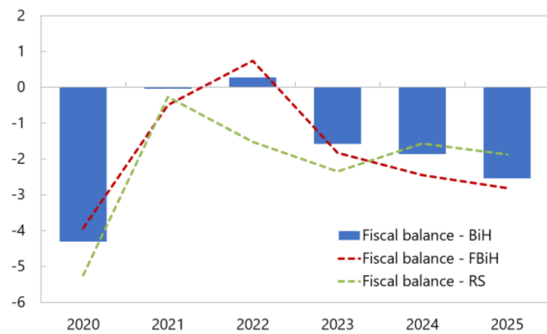
ITA Revenues
(Year-on-year percent change)



Source: ITA.

The GG deficit in BiH has widened sharply since 2022.

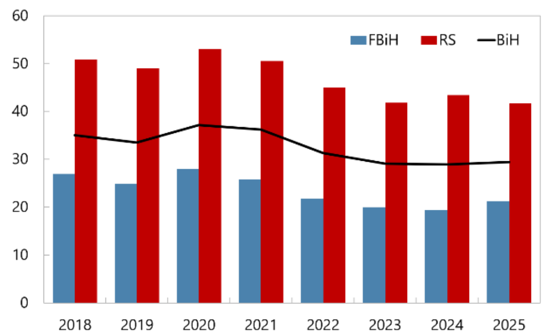
General Government Fiscal Deficit
(Percent of GDP)



Sources: MoF; and IMF staff calculations.

The debt level has not changed significantly in recent years, while nominal GDP has continued to grow.

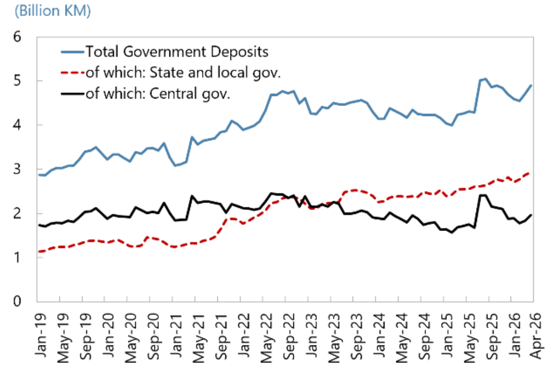
General Government Debt
(Percent of GDP)



Sources: MoF; and IMF staff calculations.

Recent external issuances have slowed the longer-term downward trend in central government deposits.

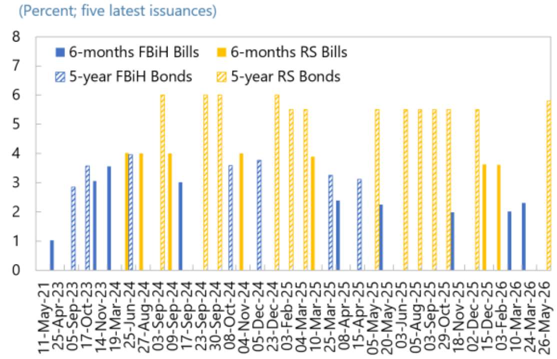
Government Deposits
(Billion KM)



Source: CBBH.

Yields on securities have slightly declined in both entities, especially on treasury bills in FBiH.

Yields at Issuance: 5-Year Bonds and 6-Month Bills
(Percent; five latest issuances)

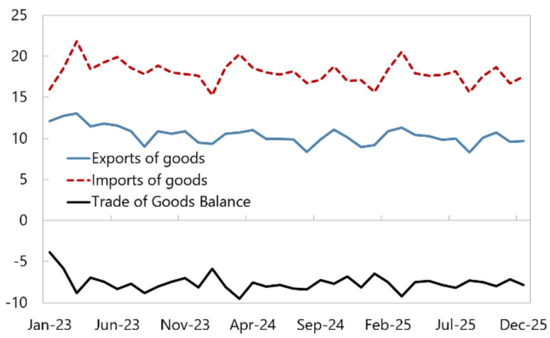


Source: Sarajevo and Banja Luka Stock Exchange database.

Figure 3. Bosnia and Herzegovina: External Sector

The trade balance strengthened in 2025 supported by stronger exports ...

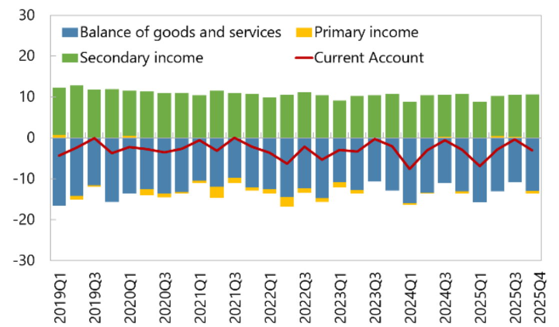
Total Trade of Goods
(Percent of GDP)



Sources: Central Bank of Bosnia and Herzegovina; and IMF staff calculations.

...while weaker services receipts partly offset these gains, leaving the CAD broadly unchanged.

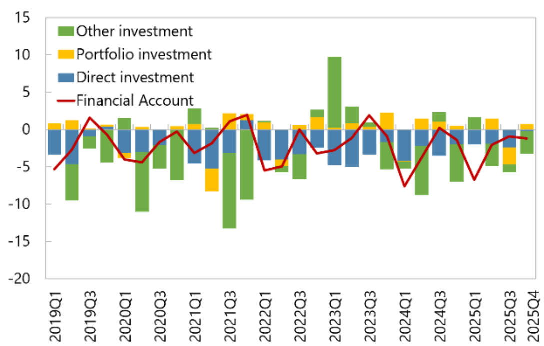
Current Account Balance
(Percent of GDP)



Sources: Central Bank of Bosnia and Herzegovina; Bosnia and Herzegovina Agency for Statistics; and IMF staff calculations.

Financial account inflows continued to finance the CAD, supported by FDI, external borrowing, and other investment inflows...

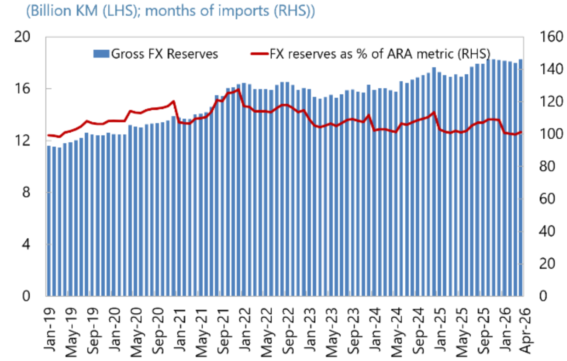
Financial Account Balance
(Percent of GDP)



Sources: Central Bank of Bosnia and Herzegovina; and IMF staff calculations.

...contributing to reserve accumulation, although reserve coverage declined somewhat relative to adequacy metrics.

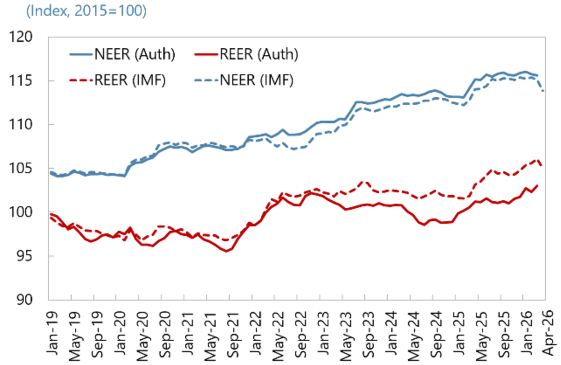
Monthly Foreign Reserves
(Billion KM (LHS); months of imports (RHS))



Sources: CBBH; and IMF staff calculations.

REER appreciate during 2025, without hurting exports...

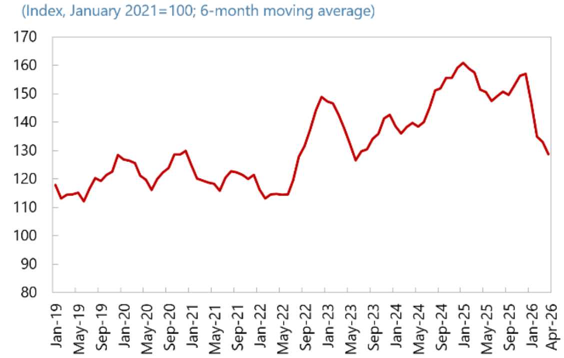
BiH Effective Exchange Rate
(Index, 2015=100)



Sources: CBBH; and IMF staff calculations.

...reflecting favorable terms-of-trade developments, including lower non-food import prices.

Terms of Trade: Goods
(Index, January 2021=100; 6-month moving average)

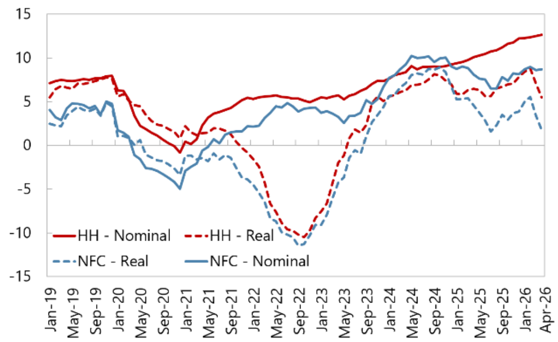


Sources: CBBH; and IMF staff calculations.

Figure 4. Bosnia and Herzegovina: Financial Sector

Credit growth remains strong, despite a recent deceleration in real terms.

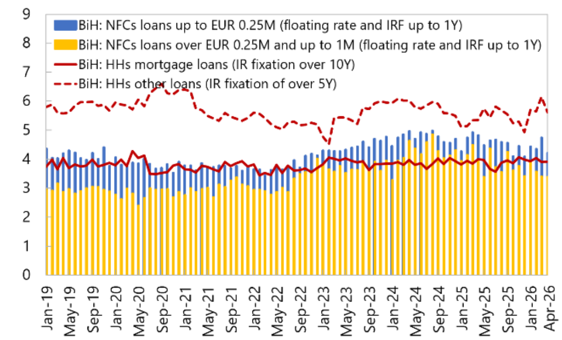
Credit Growth
(Year-on-year percent change)



Sources: CBBH; and IMF staff calculations.

Lending rates remain low and broadly stable…

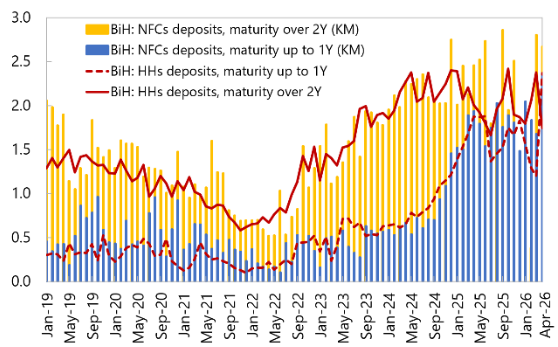
Lending Rates on NFCs and HHs Loans
(Percent)



Source: CBBH.

…while deposit rates have recently declined from a peak in 2025H2.

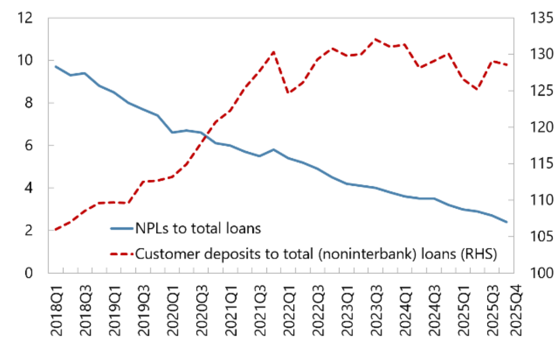
Interest Rates on NFCs and HHs Deposits
(Percent)



Source: CBBH.

Banks remain liquid, while NPLs are low and continue to decline.

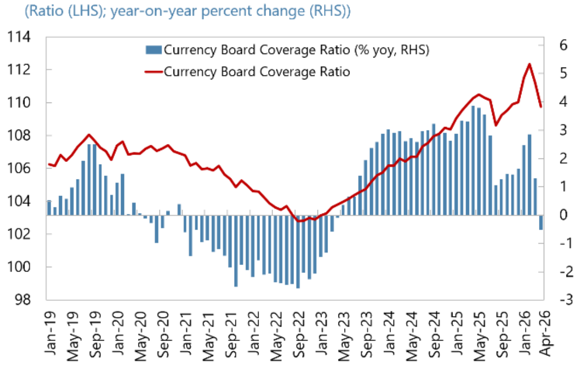
Asset Quality and Liquidity
(Percent)



Source: CBBH.

After declining through mid-2025, the CBA coverage ratio has made a strong recovery.

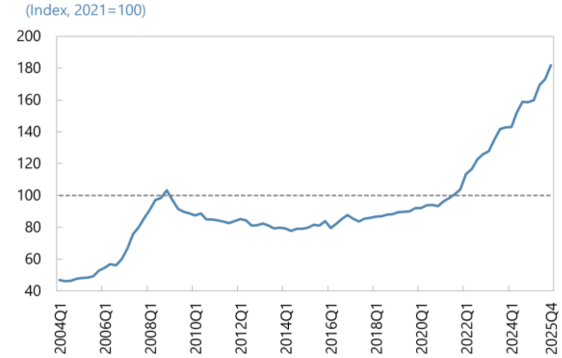
Currency Board Coverage Ratio
(Ratio (LHS); year-on-year percent change (RHS))



Sources: CBBH; and IMF staff calculations.

House prices have continued to increase since the pandemic.

House Prices
(Index, 2021=100)



Source: CBBH.

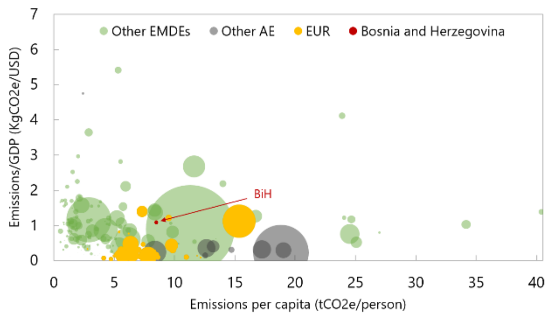
Figure 5. Bosnia and Herzegovina: Greenhouse Gas Emissions and Climate Risks

Despite accounting for only 0.2% percent of global GHG emissions, BiH emissions intensity is high globally, within the region and in comparison with EMDEs.

BiH's vulnerability to climate risk is near the global median, but its readiness to address these risks is limited.

GHG Emissions Intensity, 2023

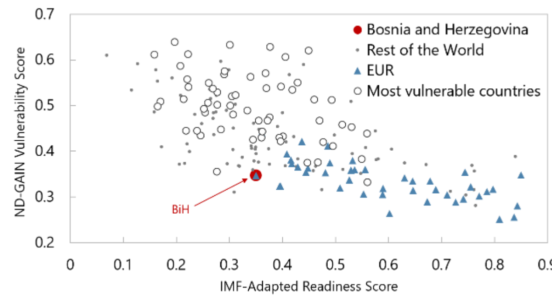
(Emissions per capita (tCO2e/person); emissions/GDP (KgCO2e/USD))



Sources: IMF Macroeconomic Climate Indicators Dashboard (2023) and World Economic Outlook (2023).
Note: Bubble size represents total GHG emissions excluding land-use and land-use change and forestry. Outlier Palau is excluded.

Climate Risks and Readiness, 2023

(IMF-Adapted Readiness Score; ND-GAIN Vulnerability Score))



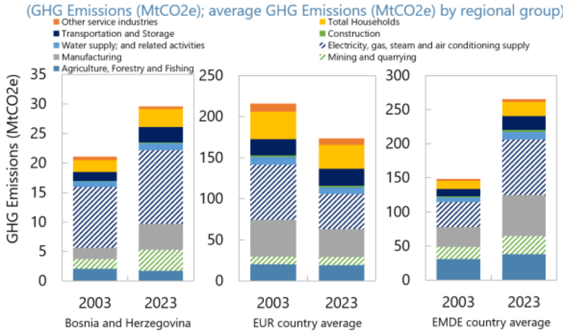
Sources: IMF Macroeconomic Climate Indicators Dashboard (2023).
Note: The Vulnerability Score assesses a country's current vulnerability to climate reflecting exposure, sensitivity, and adaptive capacity. The Readiness Score assesses a country's readiness to leverage public and private sector investment for adaptative actions.

BiH's emissions broadly track trends in EMDEs, with the energy sector remaining the largest source of greenhouse gas emissions.

BiH is vulnerable to storms, droughts and floods, albeit with varying severity, and no evidence of increasing intensity.

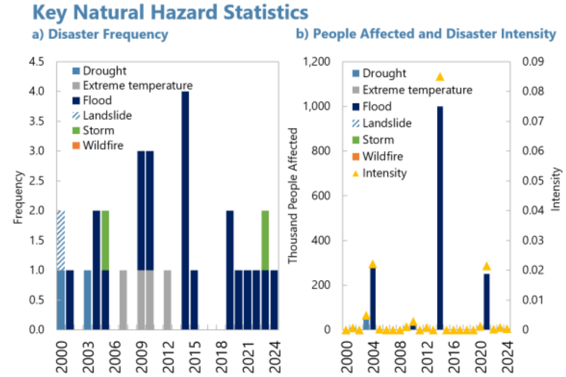
GHG Emissions by Sector

(GHG Emissions (MtCO2e); average GHG Emissions (MtCO2e) by regional group)



Sources: OECD Air Emission Accounts; UNFCCC; EDGAR; IMF staff calculations.
Note: GHG emissions excluding land-use and land-use change and forestry are shown. Rather than presenting the air emission by UNFCCC sector, the chart above classifies emissions by economic activity.

Key Natural Hazard Statistics



Sources: EMDAT and Staff calculations using Pondi and others (2025).
Note: Intensity is defined as (Total death+30% Total Affected)/Total population.

Table 1. Bosnia and Herzegovina: Selected Economic Indicators, 2022–31

	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
				Prel.			*Projections*			
Nominal GDP (KM billion)	45.6	49.9	53.8	56.6	61.0	65.1	69.0	73.0	77.3	81.7
Gross national saving (percent of GDP)	23.0	23.8	23.2	24.1	23.3	23.5	23.6	23.8	23.7	23.7
Gross investment (percent of GDP)	27.3	26.0	26.7	27.3	28.1	28.1	28.1	28.1	28.0	27.9
					(Percent change)					
Real GDP	4.2	2.0	3.2	2.1	2.0	2.7	3.0	3.0	3.0	3.0
GDP deflator	11.8	7.3	4.3	3.0	5.8	3.9	2.9	2.8	2.7	2.6
CPI (period average)	14.0	6.1	1.7	4.0	5.4	3.1	2.0	2.0	2.0	2.0
Money and credit										
Base money	3.3	-1.7	5.2	3.0	--	--	--	--	--	--
Broad money	5.5	7.7	9.3	9.7	--	--	--	--	--	--
Credit to the private sector	4.9	7.4	9.3	10.6	10.2	--	--	--	--	--
					(Percent of GDP)					
Operations of the general government										
Revenue, *Of which:*	39.5	40.2	41.3	42.8	42.5	42.7	42.7	42.8	42.8	42.9
Taxes	21.8	21.9	22.8	23.3	23.3	23.3	23.4	23.5	23.5	23.6
Social security contributions	14.2	14.8	15.2	16.0	15.9	15.9	15.9	15.9	15.9	15.9
Expenditure	39.2	41.8	43.2	45.4	46.6	47.0	47.2	47.3	47.3	47.4
Of which: Investment expenditure	3.8	4.2	4.4	4.5	5.1	5.2	5.2	5.2	5.2	5.3
Fiscal balance	0.3	-1.6	-1.9	-2.5	-4.0	-4.3	-4.5	-4.5	-4.5	-4.5
Primary fiscal balance	0.9	-0.7	-0.9	-1.6	-3.2	-3.1	-3.1	-3.0	-2.8	-2.7
Total general government debt	31.3	29.1	28.9	29.4	32.0	33.8	36.0	38.3	40.5	42.7
Domestic general government debt 1/2/	8.3	9.3	10.1	10.9	12.4	14.4	16.4	18.8	21.1	23.5
External general government debt	23.0	19.7	18.8	18.6	19.6	19.4	19.5	19.5	19.4	19.2
					(Percent of GDP)					
Balance of payments										
Exports of goods and services	48.3	43.9	40.7	41.0	40.3	39.4	38.6	38.1	37.6	37.1
Imports of goods and services	61.9	55.7	54.1	54.1	55.1	53.5	52.4	51.6	50.9	50.2
Trade balance	-13.6	-11.8	-13.4	-13.1	-14.7	-14.1	-13.7	-13.5	-13.3	-13.1
Current transfers, net	10.5	10.1	10.1	9.9	9.9	9.7	9.6	9.7	9.7	9.6
Current account balance	-4.4	-2.1	-3.5	-3.2	-4.9	-4.7	-4.5	-4.4	-4.3	-4.3
Foreign direct investment (+=inflow)	3.4	3.7	3.0	1.6	2.6	2.5	2.5	2.5	2.5	2.6
Gross official reserves (Euro million)	8,276	8,443	8,992	9,314	9,777	9,957	10,276	10,825	11,342	11,828
(In months of imports)	7.0	6.8	6.9	6.5	6.6	6.5	6.4	6.5	6.6	6.6
(In percent of monetary base)	107.8	111.3	114.5	114.8	--	--	--	--	--	--
(In percent of IMF ARA metric)	115.4	113.8	113.6	111.0	--	--	--	--	--	--
External debt 3/	52.2	48.1	45.7	48.6	46.9	46.8	47.1	47.8	48.3	48.6
Memorandum items:										
Unemployment rate (average)	15.4	13.2	12.7	12.2	12.2	--	--	--	--	--
GDP per capita (Euros)	6,716	7,368	7,954	8,393	9,078	9,718	10,328	10,968	11,639	12,340
Output gap (in percent of potential GDP)	1.6	0.8	1.2	0.5	-0.3	-0.4	-0.3	-0.1	0.0	0.0
REER (index 2016=100)	102.4	103.6	103.0	105.2	--	--	--	--	--	--
NEER (index 2016=100)	117.4	120.4	122.4	124.6	--	--	--	--	--	--

Sources: BiH authorities; and IMF staff estimates and projections.
1/ On average, half of the domestic debt stock is indexed to the Euro.
2/ The stock of general government domestic debt does not include domestic arrears and those of public enterprises.
3/ Includes inter-company loans in private external debt.

Table 2. Bosnia and Herzegovina: Real Sector Developments, 2022–31

	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
				Prel.			*Projections*			
Real growth rates					*(Percent change)*					
GDP at constant 2021 prices	4.2	2.0	3.2	2.1	2.0	2.7	3.0	3.0	3.0	3.0
Domestic demand	2.1	1.7	5.9	3.4	3.7	3.6	3.5	3.5	3.5	3.4
Private	2.8	0.9	6.3	3.6	3.0	3.5	3.3	3.4	3.5	3.2
Public	-0.8	4.6	4.6	2.9	6.5	4.0	4.0	3.6	3.5	3.8
Consumption	0.9	1.9	4.6	3.2	3.4	3.3	3.5	3.5	3.7	3.6
Private	0.8	1.8	5.1	3.4	3.1	3.3	3.3	3.4	3.7	3.5
Public	1.3	2.1	2.8	2.8	4.5	3.1	4.3	3.8	3.7	3.7
Gross capital formation	6.1	1.0	10.5	4.0	4.4	4.5	3.3	3.3	3.0	2.7
Private	9.4	-1.7	10.0	4.2	2.4	3.8	3.4	3.3	3.0	2.4
Public	-10.6	17.7	13.0	3.2	14.8	7.6	3.2	3.1	3.1	4.1
Net Exports										
Exports of goods and services	12.7	-1.1	-1.6	2.7	0.8	2.1	2.6	2.9	2.7	2.4
Imports of goods and services	6.5	-1.3	4.7	5.3	4.5	4.0	3.7	3.8	3.8	3.3
Contributions to real GDP growth					*(Year-on-year percent change over real GDP in previous year)*					
GDP at constant 2021 prices	4.2	2.0	3.2	2.1	2.0	2.7	3.0	3.0	3.0	3.0
Domestic demand	2.3	1.8	6.5	3.8	4.2	4.1	4.0	4.0	4.1	3.9
Private	2.5	0.8	5.4	3.1	2.6	3.1	3.0	3.1	3.2	3.0
Public	-0.2	1.0	1.1	0.7	1.5	1.0	1.0	0.9	0.9	1.0
Consumption	0.8	1.6	3.8	2.7	2.9	2.8	3.1	3.1	3.2	3.2
Private	0.5	1.2	3.3	2.2	2.1	2.2	2.2	2.3	2.5	2.4
Public	0.3	0.4	0.5	0.5	0.9	0.6	0.8	0.7	0.7	0.7
Gross capital formation	1.5	0.2	2.6	1.1	1.2	1.3	1.0	0.9	0.9	0.8
Private	2.0	-0.4	2.1	0.9	0.6	0.9	0.8	0.8	0.7	0.6
Public	-0.4	0.6	0.5	0.1	0.7	0.4	0.2	0.2	0.2	0.2
Net Exports	1.9	0.2	-3.2	-1.7	-2.2	-1.4	-1.0	-1.0	-1.1	-0.9
Exports of goods and services	5.4	-0.5	-0.7	1.1	0.3	0.9	1.1	1.2	1.1	1.0
Imports of goods and services	3.5	-0.7	2.5	2.8	2.5	2.3	2.1	2.2	2.2	1.9
Deflators					*(Percent change)*					
GDP	11.8	7.3	4.3	3.0	5.8	3.9	2.9	2.8	2.7	2.6
Domestic demand	16.5	5.9	3.1	1.5	5.5	2.5	2.1	2.1	2.1	2.1
Consumption	15.6	6.9	4.0	0.9	5.3	2.6	1.9	1.9	1.9	1.9
Investment	19.5	3.0	0.2	3.4	6.4	2.1	2.5	2.5	2.5	2.5
Exports of goods and services	17.6	0.6	1.4	3.2	5.2	2.1	1.3	1.5	1.4	1.9
Imports of goods and services	25.9	-0.3	-0.2	0.1	5.0	-0.3	0.1	0.4	0.5	0.9
					(Percent of GDP)					
Consumption	86.2	85.8	86.7	85.8	86.6	86.0	85.6	85.3	85.3	85.1
Private	67.6	66.7	67.1	65.5	65.9	65.4	64.9	64.6	64.6	64.4
Public	18.7	19.1	19.6	20.3	20.7	20.6	20.7	20.7	20.7	20.7
Gross capital formation	27.3	26.0	26.7	27.3	28.1	28.1	28.1	28.1	28.0	27.9
Private	23.6	21.8	22.3	22.8	23.1	22.9	22.9	22.9	22.8	22.7
Public	3.8	4.2	4.4	4.5	5.1	5.2	5.2	5.2	5.2	5.3
National Savings	23.0	23.8	23.2	24.1	23.3	23.5	23.6	23.8	23.7	23.7
Private	18.8	22.8	21.3	22.5	22.2	22.7	23.0	23.2	23.2	23.1
Public	4.2	1.0	1.9	1.5	1.0	0.8	0.6	0.5	0.6	0.6
Saving-Investment balance	-4.4	-2.1	-3.5	-3.2	-4.9	-4.7	-4.5	-4.4	-4.3	-4.3
Memorandum items:										
Unemployment rate (average)	15.4	13.2	12.7	12.2	--	--	--	--	--	--
Nominal GDP (KM million)	45,618	49,920	53,752	56,551	61,010	65,123	69,006	73,048	77,265	81,671

Sources: BiH, FBiH and RS Statistical Agencies; and IMF staff estimates and projections.

Table 3. Bosnia and Herzegovina: Balance of Payments, 2022–31[1]
(Millions of euros, unless otherwise indicated)

	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
				Prel.			*Projections*			
A. Current account	**-1,022**	**-546**	**-951**	**-930**	**-1,515**	**-1,550**	**-1,605**	**-1,626**	**-1,699**	**-1,782**
Trade balance	-3,170	-3,004	-3,670	-3,793	-4,598	-4,700	-4,847	-5,025	-5,262	-5,465
Goods	-5,207	-5,245	-5,957	-5,989	-7,000	-7,256	-7,549	-7,914	-8,309	-8,677
Export of goods (fob)	8,369	7,929	7,731	8,411	8,856	9,170	9,472	9,817	10,181	10,571
Import of goods (fob)	-13,575	-13,174	-13,688	-14,400	-15,857	-16,425	-17,021	-17,731	-18,490	-19,248
Services (net)	2,037	2,241	2,287	2,196	2,402	2,555	2,702	2,889	3,047	3,212
Exports	2,899	3,284	3,456	3,444	3,719	3,938	4,156	4,420	4,659	4,909
Imports	-862	-1,043	-1,169	-1,248	-1,317	-1,383	-1,454	-1,531	-1,612	-1,697
Primary Income (net)	-306	-124	-55	0	5	-81	-154	-218	-271	-343
Total credit	735	1,000	1,193	1,227	1,305	1,382	1,439	1,501	1,571	1,643
Total debit	-1,041	-1,124	-1,247	-1,227	-1,300	-1,463	-1,593	-1,719	-1,842	-1,986
Of which: Interest payments	-107	-155	-250	-231	-240	-332	-395	-452	-502	-571
Secondary Income (net), *of which:*	2,454	2,582	2,774	2,863	3,078	3,231	3,396	3,617	3,834	4,026
Government (net)	21	18	23	-2	-2	-2	-3	-3	-3	-3
Workers' remittances	1,740	1,822	1,990	2,138	2,298	2,413	2,536	2,701	2,863	3,006
Other (NGOs etc.)	635	757	780	748	804	844	887	945	1,001	1,051
B. Capital account	**166**	**184**	**201**	**160**	**164**	**169**	**173**	**178**	**183**	**188**
Capital transfers (net)	166	184	201	160	164	169	173	178	183	188
General government	127	149	152	99	101	104	107	110	113	116
Other sectors	40	35	49	61	63	65	67	68	70	72
C. Financial account	**-845**	**-200**	**-1,380**	**-892**	**-1,813**	**-1,562**	**-1,751**	**-1,997**	**-2,033**	**-2,081**
Direct investment (net)	-803	-936	-816	-468	-818	-830	-890	-942	-996	-1,095
Assets	78	108	110	170	100	107	113	120	127	134
Liabilities	880	1,044	926	638	918	936	1,003	1,062	1,123	1,229
Portfolio investment (net)	133	229	204	-7	-553	-355	-330	-330	-330	-330
Assets (net)	126	208	202	189	50	20	20	20	20	20
Liabilities (net)	-8	-21	-3	196	603	375	350	350	350	350
Other investment (net)	-175	506	-768	-412	-437	-372	-526	-720	-701	-651
Assets (net)	412	602	132	72	101	99	101	103	143	146
Short-term	361	618	-43	53	86	83	85	86	125	129
Banks	123	156	291	-51	39	36	38	39	78	82
Other sectors, excl. government and central bank	124	401	-403	57	0	0	0	0	0	0
Medium and long-term	51	-16	175	19	15	15	16	17	17	17
Banks	-9	55	14	15	15	15	15	15	15	15
Other sectors, excl. government and central bank	60	-71	161	4	0	0	0	0	0	0
Liabilities (net)	588	97	900	484	538	471	627	824	844	797
Short-term	600	323	491	410	437	338	267	277	275	276
General government	7	7	3	6	0	0	0	1	1	1
Banks	6	-105	-6	-14	17	18	19	20	25	26
Other sectors	588	421	494	419	420	320	248	256	249	249
Medium and long-term	-13	-222	409	73	101	133	360	547	570	521
Monetary authority	0	0	0	0	0	0	0	0	0	0
General government	12	-241	155	-1	135	-37	95	26	40	-3
Disbursements of loans	360	282	700	447	584	438	559	516	541	480
Project	242	252	316	121	312	383	406	430	454	480
Budget	118	30	384	326	272	55	153	87	87	0
Amortization of loans	348	523	545	448	449	475	464	490	501	483
Banks	-74	-40	220	39	34	36	37	39	50	53
Other sectors	49	60	34	35	-68	134	228	482	480	471
D. Errors and omissions	**84**	**188**	**-74**	**8**	**0**	**0**	**0**	**0**	**0**	**0**
Overall balance (A+B-C+D)	73	26	555	131	462	180	319	549	517	486
Financing	-73	-26	-555	-131	-462	-180	-319	-549	-517	-486
Change in net international reserves ("-"=increase)	-73	-26	-555	-131	-462	-180	-319	-549	-517	-486
Memorandum items:										
Current account balance (percent of GDP)	-4.4	-2.1	-3.5	-3.2	-4.9	-4.7	-4.5	-4.4	-4.3	-4.3
Trade balance-Goods (percent of GDP)	-22.3	-20.6	-21.7	-20.7	-22.4	-21.8	-21.4	-21.2	-21.0	-20.8
Import of goods (percent change)	33.9	-3.0	3.9	5.2	10.1	3.6	3.6	4.2	4.3	4.1
Export of goods (percent change)	29.1	-5.3	-2.5	8.8	5.3	3.5	3.3	3.6	3.7	3.8
Transfers (percent of GDP)	10.5	10.1	10.1	9.9	9.9	9.7	9.6	9.7	9.7	9.6
Net foreign direct investment (percent of GDP)	-3.4	-3.7	-3.0	-1.6	-2.6	-2.5	-2.5	-2.5	-2.5	-2.6
External debt/GDP (percent)	52.2	48.1	45.7	48.6	46.9	46.8	47.1	47.8	48.3	48.6
Private sector	29.1	28.2	27.5	29.3	27.4	27.4	27.6	28.3	28.9	29.4
Public sector	23.1	19.9	18.2	19.3	19.5	19.3	19.5	19.5	19.4	19.1
External debt service/GNFS exports (percent)	31.4	36.3	37.2	37.7	37.7	39.8	40.9	41.5	42.3	42.9
Gross official reserves (Euro million)	8,276	8,443	8,992	9,314	9,777	9,957	10,276	10,825	11,342	11,828
(In months of prospective imports of goods and services)	7.0	6.8	6.9	6.5	6.6	6.5	6.4	6.5	6.6	6.6
Reserves/IMF ARA metric (percent)	115.4	113.8	113.6	111.0	--	--	--	--	--	--

Sources: BiH authorities; and IMF staff estimates and projections.
1/ Based on BPM6.

Table 4a. Bosnia and Herzegovina: General Government Statement of Operations, 2022–31
(Percent of GDP)

	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
				Actual			*Projections*			
Revenue	**39.5**	**40.2**	**41.3**	**42.8**	**42.5**	**42.7**	**42.7**	**42.8**	**42.8**	**42.9**
Taxes	21.8	21.9	22.8	23.3	23.3	23.3	23.4	23.5	23.5	23.6
Direct taxes	4.0	4.3	4.5	4.7	4.8	4.8	4.8	4.8	4.8	4.8
Individual income taxes	1.8	2.1	2.2	2.5	2.6	2.6	2.6	2.6	2.6	2.6
Corporate income tax	1.9	2.0	2.1	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Indirect taxes	17.7	17.4	18.2	18.4	18.3	18.4	18.5	18.5	18.6	18.6
Other taxes	0.1	0.1	0.1	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Social security contributions	14.2	14.8	15.2	16.0	15.9	15.9	15.9	15.9	15.9	15.9
Grants	0.2	0.6	0.3	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Other revenue	3.3	2.9	3.0	3.3	3.2	3.2	3.2	3.2	3.2	3.2
Expenditure	**39.2**	**41.8**	**43.2**	**45.4**	**46.6**	**47.0**	**47.2**	**47.3**	**47.3**	**47.4**
Expense	**35.4**	**37.6**	**38.7**	**40.9**	**41.5**	**41.7**	**42.0**	**42.1**	**42.1**	**42.1**
Compensation of employees	10.0	10.4	10.5	11.1	11.3	11.3	11.3	11.3	11.3	11.3
Use of goods and services 1/	6.5	6.7	7.0	3.2	3.3	3.3	3.3	3.3	3.3	3.3
Social benefits 1/	14.3	15.9	16.3	21.1	22.0	22.0	22.1	22.1	22.1	22.0
Interest	0.6	0.9	1.0	1.0	0.9	1.2	1.4	1.5	1.7	1.8
Subsidies	1.6	1.7	1.8	1.9	1.8	1.8	1.8	1.8	1.7	1.7
Other expense	2.3	2.0	2.1	2.6	2.2	2.2	2.1	2.0	2.0	2.0
Net acquisition of nonfinancial assets	**3.8**	**4.2**	**4.4**	**4.5**	**5.1**	**5.2**	**5.2**	**5.2**	**5.2**	**5.3**
Acquisition of nonfinancial assets	4.0	4.4	4.6	4.6	5.2	5.3	5.3	5.3	5.3	5.3
Foreign financed capital spending	1.1	1.3	1.2	0.8	1.0	1.2	1.1	1.1	1.1	1.2
Domestically financed capital spending	2.8	3.0	3.4	3.7	4.1	4.1	4.1	4.1	4.1	4.1
Disposal of nonfinancial assets	0.2	0.2	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Gross/Net Operating Balance (revenue minus expense)	**4.1**	**2.6**	**2.6**	**1.9**	**1.0**	**1.0**	**0.8**	**0.7**	**0.7**	**0.8**
Net lending/borrowing (revenue minus expenditure)	**0.3**	**-1.6**	**-1.9**	**-2.5**	**-4.0**	**-4.3**	**-4.5**	**-4.5**	**-4.5**	**-4.5**
Net acquisition of financial assets	**0.8**	**-1.0**	**0.0**	**-0.1**	**-0.1**	**-0.2**	**-0.2**	**-0.2**	**-0.2**	**0.0**
Domestic assets	0.8	-1.0	0.0	-0.1	-0.1	-0.2	-0.2	-0.2	-0.2	0.0
Currency and deposits	0.6	-0.8	0.7	0.1	-0.1	-0.2	-0.2	-0.2	-0.2	-0.1
Loans	-0.1	-0.5	-1.2	-0.6	0.0	0.0	0.0	0.0	0.0	0.0
Equity and investment fund shares	0.0	0.0	0.7	0.3	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
Net incurrence of liabilities	**0.4**	**0.7**	**2.0**	**1.8**	**3.9**	**4.0**	**4.3**	**4.3**	**4.3**	**4.4**
Domestic liabilities	-0.2	2.4	1.5	0.4	-0.6	1.8	1.9	2.3	2.3	2.7
Debt securities	0.3	1.6	0.9	0.3	-0.5	1.7	1.8	2.2	2.2	2.6
Other government obligations	-0.1	-0.1	-0.1	0.0	-0.1	-0.1	-0.1	-0.1	0.0	0.0
Loans	-0.2	-0.2	0.2	0.0	0.2	0.2	0.2	0.1	0.1	0.1
Other accounts payable	-0.3	1.1	0.4	0.2	-0.2	0.0	0.0	0.0	0.0	0.0
Foreign liabilities	0.6	-1.6	0.4	1.4	4.5	2.2	2.3	2.0	1.9	1.7
Debt securities	0.0	-0.7	0.0	1.2	4.0	2.3	2.0	1.9	1.8	1.7
Loans	0.1	-1.1	0.4	0.2	0.5	0.0	0.3	0.1	0.2	0.1
Statistical discrepancy	**0.1**	**-0.2**	**-0.1**	**0.7**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Memorandum items:										
Net lending excluding externally-financed operations	1.2	-0.6	-0.8	-1.8	-3.1	-3.2	-3.4	-3.4	-3.4	-3.4
Structural balance (% of potential GDP)	-0.4	-1.9	-2.4	-2.8	-3.9	-4.0	-4.3	-4.5	-4.5	-4.5
Cyclically-adjusted primary balance	0.3	-1.0	-1.4	-1.8	-3.0	-2.9	-3.0	-2.9	-2.8	-2.7

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

1/ In 2025, a reclassification of FBiH health fund expenditure from goods and services to transfers, in line with GFSM 2014, creates a structural break in the data.

Table 4b. Bosnia and Herzegovina: General Government Statement of Operations, 2022–31

(KM million)

	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
				Actual			*Projections*			
Revenue	**18,028**	**20,069**	**22,195**	**24,226**	**25,948**	**27,801**	**29,495**	**31,243**	**33,074**	**35,039**
Taxes	9,925	10,913	12,267	13,153	14,193	15,199	16,148	17,136	18,167	19,244
Direct taxes	1,814	2,154	2,432	2,677	2,923	3,121	3,307	3,501	3,703	3,914
Individual income taxes	835	1,026	1,181	1,417	1,568	1,675	1,775	1,879	1,987	2,101
Corporate income tax	884	1,023	1,137	1,140	1,226	1,308	1,386	1,467	1,552	1,641
Indirect taxes	8,057	8,698	9,765	10,386	11,174	11,975	12,732	13,519	14,342	15,201
Other taxes	55	62	71	90	96	103	109	115	122	129
Social security contributions	6,484	7,412	8,172	9,076	9,690	10,370	10,988	11,632	12,304	13,006
Grants	98	309	158	112	110	117	119	121	123	171
Other revenue	1,521	1,435	1,598	1,885	1,955	2,115	2,239	2,354	2,481	2,618
Expenditure	**17,900**	**20,858**	**23,199**	**25,665**	**28,415**	**30,576**	**32,574**	**34,541**	**36,539**	**38,700**
Expense	**16,170**	**18,762**	**20,824**	**23,132**	**25,320**	**27,176**	**28,976**	**30,737**	**32,520**	**34,411**
Compensation of employees	4,566	5,209	5,664	6,262	6,922	7,330	7,807	8,264	8,741	9,240
Use of goods and services 1/	2,979	3,335	3,756	1,826	1,989	2,123	2,250	2,381	2,519	2,662
Social benefits 1/	6,530	7,928	8,755	11,941	13,392	14,343	15,261	16,150	17,042	17,950
Interest	281	424	529	539	545	785	961	1,123	1,276	1,476
Subsidies	749	868	989	1,089	1,093	1,167	1,237	1,309	1,344	1,393
Grants	15	19	17	17	17	18	19	20	21	22
Other expense	1,050	978	1,116	1,455	1,361	1,407	1,438	1,485	1,571	1,660
Net acquisition of nonfinancial assets	**1,730**	**2,096**	**2,375**	**2,534**	**3,095**	**3,400**	**3,599**	**3,805**	**4,019**	**4,288**
Acquisition of nonfinancial assets	1,809	2,178	2,473	2,581	3,143	3,452	3,652	3,861	4,078	4,350
Foreign financed capital spending	511	656	635	477	615	752	792	833	875	965
Domestically financed capital spending	1,298	1,522	1,838	2,103	2,529	2,699	2,860	3,028	3,202	3,385
Disposal of nonfinancial assets	79	82	98	47	49	51	54	56	59	62
Gross/Net Operating Balance (revenue minus expense)	**1,857**	**1,307**	**1,371**	**1,094**	**628**	**625**	**519**	**506**	**554**	**628**
Net lending/borrowing (revenue minus expenditure)	**127**	**-790**	**-1,004**	**-1,440**	**-2,467**	**-2,776**	**-3,079**	**-3,298**	**-3,465**	**-3,661**
Net acquisition of financial assets	**347**	**-515**	**-13**	**-29**	**-78**	**-156**	**-144**	**-173**	**-161**	**-37**
Domestic assets	347	-514	-13	-29	-78	-156	-144	-173	-161	-37
Currency and deposits	288	-391	363	47	-83	-162	-150	-180	-169	-50
Loans	-60	-225	-618	-313	0	1	1	2	3	7
Equity and investment fund shares	-1	5	356	180	-2	-2	-3	-3	-3	-3
Foreign assets	0	-1	0	0	0	0	0	0	0	0
Net incurrence of liabilities	**163**	**361**	**1,061**	**991**	**2,389**	**2,619**	**2,935**	**3,126**	**3,304**	**3,624**
Domestic liabilities	-99	1,183	821	225	-373	1,174	1,328	1,651	1,799	2,200
Debt securities	153	783	508	149	-295	1,114	1,266	1,582	1,722	2,114
Other government obligations	-48	-49	-29	-28	-71	-45	-43	-37	-27	-20
Loans	-88	-83	112	-4	114	105	105	105	105	106
Other accounts payable	-116	532	231	108	-122	0	0	0	0	0
Foreign liabilities	263	-822	239	766	2,762	1,445	1,607	1,475	1,505	1,424
Debt securities	0	-329	0	680	2,445	1,467	1,369	1,369	1,369	1,369
Loans	62	-527	238	85	317	-22	238	106	136	55
Statistical discrepancy	**56**	**-87**	**-69**	**420**	**0**	**0**	**0**	**0**	**0**	**0**
Memorandum items:										
Indirect revenues	8,057	8,698	9,765	10,386	11,174	11,975	12,732	13,519	14,342	15,201
Net lending excluding externally-financed operations	567	-307	-454	-1,002	-1,886	-2,060	-2,324	-2,501	-2,623	-2,773

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

1/ In 2025, a reclassification of FBiH health fund expenditure from goods and services to transfers, in line with GFSM 2014, creates a structural break in the data.

Table 4c. Bosnia and Herzegovina: Government Statement of Operations, 2022–31

(Percent of GDP)

	Federation Central Government							Republika Srpska Central Government						
	2022	2023	2024	2025	2026	2027	2031	2022	2023	2024	2025	2026	2027	2031
Revenue	**15.5**	**16.6**	**16.5**	**16.7**	**16.5**	**16.7**	**17.0**	**25.6**	**26.3**	**27.8**	**28.7**	**29.1**	**29.4**	**29.6**
Taxes	6.4	6.9	7.0	6.7	6.6	6.8	7.0	16.0	16.1	17.5	17.6	17.9	18.0	18.2
Direct taxes	0.3	0.4	0.3	0.3	0.3	0.3	0.3	3.6	3.9	4.4	4.4	4.6	4.6	4.6
Indirect taxes	6.1	6.5	6.7	6.4	6.4	6.5	6.7	12.2	12.0	12.9	13.0	13.0	13.2	13.3
Social security contributions	8.2	8.7	8.7	9.1	8.7	8.7	8.7	8.0	8.3	8.8	9.5	9.7	9.7	9.7
Grants	0.1	0.6	0.1	0.0	0.0	0.0	0.1	0.2	0.3	0.2	0.2	0.1	0.1	0.1
Other revenue	0.7	0.4	0.6	0.9	0.8	0.8	0.8	1.4	1.6	1.3	1.4	1.2	1.2	1.2
Expenditure	**14.6**	**17.5**	**17.3**	**18.4**	**19.2**	**19.6**	**19.9**	**28.2**	**28.4**	**28.9**	**31.8**	**35.3**	**35.7**	**36.3**
Expense	**14.5**	**17.0**	**17.0**	**18.2**	**18.9**	**19.3**	**19.5**	**27.0**	**26.8**	**28.0**	**30.3**	**33.6**	**34.0**	**34.6**
Compensation of employees	1.0	1.0	1.0	1.1	1.2	1.2	1.2	6.8	6.8	6.6	7.2	7.6	7.6	7.6
Use of goods and services 1/	0.3	0.3	0.3	0.3	0.5	0.5	0.5	1.4	1.5	1.8	2.1	1.9	1.9	1.9
Social benefits 1/	10.3	12.1	12.4	13.0	13.6	13.7	13.7	12.2	12.6	13.5	13.9	15.1	15.1	15.0
Interest	0.3	0.5	0.6	0.6	0.5	0.9	1.4	0.8	1.1	1.3	1.3	1.2	1.5	2.3
Subsidies	0.7	0.7	0.8	1.0	0.8	0.8	0.7	1.2	1.5	1.6	1.5	1.4	1.4	1.4
Other expense	0.4	0.4	0.5	0.6	0.8	0.7	0.5	1.9	1.1	1.5	1.9	1.1	1.1	1.1
Net acquisition of nonfinancial assets	**0.2**	**0.5**	**0.3**	**0.2**	**0.3**	**0.3**	**0.4**	**1.2**	**1.6**	**1.0**	**1.6**	**1.7**	**1.7**	**1.7**
Acquisition of nonfinancial assets	0.2	0.5	0.3	0.2	0.3	0.3	0.4	1.3	1.6	1.3	1.6	1.7	1.7	1.7
Foreign financed capital spending	0.1	0.5	0.2	0.1	0.2	0.2	0.2	0.2	0.1	0.3	0.2	0.3	0.3	0.3
Domestically financed capital spending	0.1	0.1	0.1	0.1	0.1	0.1	0.1	1.0	1.6	1.0	1.5	1.5	1.5	1.5
Disposal of nonfinancial assets	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.1	0.3	0.0	0.0	0.0	0.0
Gross/Net operating balance (revenue - expense)	**1.1**	**-0.3**	**-0.5**	**-1.5**	**-2.5**	**-2.6**	**-2.5**	**-1.4**	**-0.5**	**-0.2**	**-1.6**	**-4.5**	**-4.5**	**-5.0**
Net lending/borrowing (revenue - expenditure)	**0.9**	**-0.9**	**-0.8**	**-1.7**	**-2.8**	**-2.9**	**-2.9**	**-2.6**	**-2.1**	**-1.1**	**-3.2**	**-6.2**	**-6.2**	**-6.7**
Net acquisition of financial assets	**-1.2**	**-1.4**	**-0.8**	**-0.2**	**0.1**	**0.1**	**1.1**	**-0.8**	**-1.2**	**0.6**	**-0.7**	**-1.3**	**-1.5**	**-2.6**
Domestic assets	-0.7	-1.4	-0.8	-0.2	0.1	0.1	1.1	-0.8	-1.2	0.6	-0.7	-1.3	-1.5	-2.6
Currency and deposits	0.0	-1.0	0.1	0.4	-0.3	-0.2	0.7	-0.4	-0.7	0.6	-1.3	-1.2	-1.4	-2.6
Loans	-0.7	-0.2	-0.3	-0.6	0.4	0.3	0.3	-0.3	-0.4	-2.1	-0.2	-0.1	-0.1	0.0
Net incurrence of liabilities	**-2.1**	**-0.5**	**0.6**	**1.5**	**2.9**	**3.0**	**3.9**	**1.8**	**0.8**	**1.7**	**2.5**	**4.9**	**4.8**	**4.1**
Domestic liabilities	-1.0	1.2	1.8	0.6	-0.5	1.7	3.0	1.4	4.2	-0.6	1.0	-0.9	2.1	2.2
Debt securities	-0.3	0.7	1.4	0.3	-0.7	1.5	2.9	1.7	3.4	0.2	0.9	-0.1	2.2	2.2
Other government obligations	0.0	0.0	0.0	0.0	-0.1	-0.1	0.0	-0.3	-0.3	-0.2	-0.1	-0.1	-0.1	0.0
Loans	0.0	0.0	0.0	0.3	0.3	0.2	0.2	-0.3	-0.3	-0.1	-0.1	-0.1	0.0	0.0
Foreign liabilities	-1.1	-1.7	-1.2	0.8	3.4	1.3	0.9	0.4	-3.3	2.4	1.5	5.8	2.6	1.9
Debt securities	0.0	0.0	0.0	1.8	3.9	1.6	1.3	0.0	-2.0	0.0	0.0	4.5	3.7	2.6
Loans	-1.1	-1.7	-1.2	-1.0	-0.6	-0.3	-0.4	0.4	-1.3	2.4	1.5	1.4	-1.1	-0.7
Statistical discrepancy	**0.0**	**0.0**	**-0.7**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.1**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Memorandum items:														
Net lending excl. externally-financed operations	0.9	-0.8	-0.7	-1.6	-2.6	-2.7	-2.7	-2.5	-2.3	-1.1	-3.2	-6.0	-6.0	-6.5
Primary balance (% of GDP)	1.3	-0.3	-0.2	-1.1	-2.2	-2.0	-1.5	-1.7	-1.1	0.1	-1.8	-4.9	-4.7	-4.4

	Federation General Government							Republika Srpska General Government						
	2022	2023	2024	2025	2026	2027	2031	2022	2023	2024	2025	2026	2027	2031
Revenue	**36.1**	**36.9**	**37.6**	**39.2**	**38.9**	**39.1**	**39.4**	**39.9**	**39.5**	**41.7**	**43.7**	**43.0**	**43.1**	**43.4**
Taxes	18.6	18.7	19.3	20.0	19.9	20.0	20.2	21.9	21.5	23.5	23.8	24.0	24.1	24.3
Direct taxes	3.9	4.2	4.3	4.6	4.5	4.5	4.5	4.2	4.6	5.2	5.2	5.5	5.5	5.5
Indirect taxes	14.7	14.5	15.1	15.4	15.4	15.5	15.7	17.3	16.6	18.0	18.2	18.1	18.2	18.4
Social security contributions	14.8	15.6	15.7	16.5	16.2	16.2	16.2	13.7	14.0	14.9	15.8	16.1	16.2	16.2
Grants	0.2	0.7	0.2	0.1	0.2	0.2	0.2	0.3	0.3	0.3	0.2	0.1	0.1	0.1
Other revenue	2.5	1.9	2.3	2.6	2.7	2.8	2.8	4.1	3.7	3.0	3.8	2.8	2.8	2.8
Expenditure	**35.3**	**38.8**	**40.1**	**42.0**	**43.3**	**43.8**	**44.2**	**41.4**	**41.9**	**43.3**	**45.6**	**47.4**	**47.8**	**48.4**
Expense	**32.0**	**34.8**	**35.8**	**37.5**	**38.5**	**38.8**	**39.1**	**36.8**	**37.3**	**38.9**	**41.6**	**42.0**	**42.3**	**43.0**
Compensation of employees	8.0	8.4	8.7	9.0	9.2	9.2	9.3	9.2	9.1	9.1	10.2	10.7	10.7	10.7
Use of goods and services 1/	7.6	7.9	8.0	2.1	2.3	2.3	2.3	3.1	3.1	3.6	3.9	3.7	3.7	3.7
Social benefits 1/	12.2	14.2	14.5	21.5	22.1	22.2	22.2	19.3	20.1	20.8	21.6	22.8	22.8	22.7
Interest	0.4	0.6	0.7	0.7	0.7	1.0	1.5	1.0	1.3	1.6	1.6	1.4	1.8	2.5
Subsidies	1.7	1.7	1.8	2.0	1.8	1.8	1.7	1.6	1.8	1.8	1.7	1.6	1.6	1.6
Other expense	2.1	2.0	2.0	2.3	2.5	2.4	2.2	2.6	1.9	2.1	2.6	1.7	1.7	1.7
Net acquisition of nonfinancial assets	**3.3**	**3.9**	**4.3**	**4.6**	**4.8**	**5.0**	**5.0**	**4.6**	**4.6**	**4.3**	**4.0**	**5.4**	**5.4**	**5.4**
Acquisition of nonfinancial assets	3.5	4.0	4.3	4.6	4.8	5.1	5.1	4.8	4.9	4.7	4.2	5.6	5.6	5.6
Foreign financed capital spending	1.4	1.8	1.5	1.1	1.3	1.5	1.6	0.6	0.4	0.6	0.3	0.5	0.4	0.4
Domestically financed capital spending	2.1	2.2	2.9	3.5	3.5	3.5	3.5	4.2	4.5	4.1	3.8	5.1	5.1	5.1
Disposal of nonfinancial assets	0.2	0.1	0.1	0.0	0.0	0.0	0.0	0.2	0.3	0.4	0.2	0.1	0.1	0.1
Gross/Net operating balance (revenue - expense)	**4.1**	**2.1**	**1.8**	**1.8**	**0.4**	**0.3**	**0.3**	**3.1**	**2.3**	**2.8**	**2.1**	**1.0**	**0.8**	**0.4**
Net lending/borrowing (revenue - expenditure)	**0.7**	**-1.8**	**-2.5**	**-2.8**	**-4.3**	**-4.7**	**-4.8**	**-1.5**	**-2.3**	**-1.6**	**-1.9**	**-4.4**	**-4.6**	**-5.0**
Net acquisition of financial assets	**0.9**	**-1.0**	**-0.8**	**0.5**	**-0.7**	**-0.9**	**0.0**	**-0.2**	**-1.8**	**0.7**	**-0.7**	**0.3**	**0.1**	**-0.9**
Domestic assets	0.9	-1.0	-0.8	0.5	-0.7	-0.9	0.0	-0.2	-1.8	0.7	-0.7	0.3	0.1	-0.9
Currency and deposits	0.9	-0.8	0.2	1.0	-0.6	-0.9	0.0	-0.7	-1.4	0.9	-1.4	0.2	0.1	-1.0
Loans	0.0	-0.5	-0.7	-0.7	0.0	0.0	0.0	-0.3	-0.3	-2.2	-0.2	0.0	0.0	0.0
Net incurrence of liabilities	**-0.9**	**1.3**	**2.2**	**2.7**	**3.7**	**3.8**	**4.8**	**1.4**	**0.7**	**2.3**	**1.2**	**4.7**	**4.8**	**4.1**
Domestic liabilities	-1.1	2.0	2.5	1.2	-0.4	1.7	3.1	1.3	4.1	0.2	-0.1	-1.2	2.1	2.2
Debt securities	-0.3	0.7	1.4	0.3	-0.7	1.5	2.9	1.7	3.4	0.2	0.8	-0.1	2.2	2.2
Other government obligations	0.0	0.0	0.0	0.0	-0.1	-0.1	0.0	-0.3	-0.3	-0.2	-0.2	-0.2	-0.1	0.0
Loans	-0.1	0.0	0.0	0.4	0.4	0.2	0.2	-0.4	-0.4	0.6	-0.8	-0.2	0.0	0.0
Foreign liabilities	0.2	-0.7	-0.3	1.5	4.0	2.1	1.7	0.1	-3.4	2.1	1.2	5.8	2.6	1.9
Debt securities	0.0	0.0	0.0	1.8	3.9	1.6	1.3	0.0	-2.0	0.0	0.0	4.5	3.7	2.6
Loans	0.2	-0.7	-0.3	-0.3	0.1	0.5	0.4	0.1	-1.6	2.1	1.2	1.4	-1.1	-0.7
Statistical discrepancy	**1.1**	**-0.5**	**-0.5**	**0.6**	**0.0**	**0.0**	**0.0**	**-0.1**	**-0.2**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Memorandum items:														
Net lending excl. externally-financed operations	2.0	-0.4	-1.1	-1.7	-3.1	-3.2	-3.3	-0.9	-1.9	-0.9	-1.5	-4.0	-4.2	-4.6
Primary balance (% of GDP)	1.2	-1.2	-1.7	-2.1	-3.7	-3.7	-3.3	-0.5	-1.0	0.0	-0.3	-3.0	-2.9	-2.5

	Bosnia and Herzegovina						
	2022	2023	2024	2025	2026	2027	2031
Revenue	**39.5**	**40.2**	**41.3**	**42.8**	**42.5**	**42.7**	**42.9**
Taxes	21.8	21.9	22.8	23.3	23.3	23.3	23.6
Direct taxes	4.0	4.3	4.5	4.7	4.8	4.8	4.8
Indirect taxes	17.7	17.4	18.2	18.4	18.3	18.4	18.6
Social security contributions	14.2	14.8	15.2	16.0	15.9	15.9	15.9
Grants	0.2	0.6	0.3	0.2	0.2	0.2	0.2
Other revenue	3.3	2.9	3.0	3.3	3.2	3.2	3.2
Expenditure	**39.2**	**41.8**	**43.2**	**45.4**	**46.6**	**47.0**	**47.4**
Expense	**35.4**	**37.6**	**38.7**	**40.9**	**41.5**	**41.7**	**42.1**
Compensation of employees	10.0	10.4	10.5	11.1	11.3	11.3	11.3
Use of goods and services 1/	6.5	6.7	7.0	3.2	3.3	3.3	3.3
Social benefits 1/	14.3	15.9	16.3	21.1	22.0	22.0	22.0
Interest	0.6	0.9	1.0	1.0	0.9	1.2	1.8
Subsidies	1.6	1.7	1.8	1.9	1.8	1.8	1.7
Other expense	2.3	2.0	2.1	2.6	2.3	2.2	2.1
Net acquisition of nonfinancial assets	**3.8**	**4.2**	**4.4**	**4.5**	**5.1**	**5.2**	**5.3**
Acquisition of nonfinancial assets	4.0	4.4	4.6	4.6	5.2	5.3	5.3
Foreign financed capital spending	1.1	1.3	1.2	0.8	1.0	1.2	1.2
Domestically financed capital spending	2.8	3.0	3.4	3.7	4.1	4.1	4.1
Disposal of nonfinancial assets	0.2	0.2	0.2	0.1	0.1	0.1	0.1
Gross/Net operating balance (revenue - expense)	**4.1**	**2.6**	**2.6**	**1.9**	**1.0**	**1.0**	**0.8**
Net lending/borrowing (revenue - expenditure)	**0.3**	**-1.6**	**-1.9**	**-2.5**	**-4.0**	**-4.3**	**-4.5**
Net acquisition of financial assets	**0.8**	**-1.0**	**0.0**	**-0.1**	**-0.1**	**-0.2**	**0.0**
Domestic assets	0.8	-1.0	0.0	-0.1	-0.1	-0.2	0.0
Currency and deposits	0.6	-0.8	0.7	0.1	-0.1	-0.2	-0.1
Loans	-0.1	-0.5	-1.2	-0.6	0.0	0.0	0.0
Net incurrence of liabilities	**0.4**	**0.7**	**2.0**	**1.8**	**3.9**	**4.0**	**4.4**
Domestic liabilities	-0.2	2.4	1.5	0.4	-0.6	1.8	2.7
Debt securities	0.3	1.6	0.9	0.3	-0.5	1.7	2.6
Other government obligations	-0.1	-0.1	-0.1	0.0	-0.1	-0.1	0.0
Loans	-0.2	-0.2	0.2	0.0	0.2	0.2	0.1
Foreign liabilities	0.6	-1.6	0.4	1.4	4.5	2.2	1.7
Debt securities	0.0	-0.7	0.0	1.2	4.0	2.3	1.7
Loans	0.1	-1.1	0.4	0.2	0.5	0.0	0.1
Statistical discrepancy	**0.1**	**-0.2**	**-0.1**	**0.7**	**0.0**	**0.0**	**0.0**
Memorandum items:							
Net lending excl. externally-financed operations	1.2	-0.6	-0.8	-1.8	-3.1	-3.2	-3.4
Primary balance (% of GDP)	0.9	-0.7	-0.9	-1.6	-3.2	-3.1	-2.7

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

Note: Federation central government included pension fund in 2020.

1/ In 2025, a reclassification of FBiH health fund expenditure from goods and services to transfers, in line with GFSM 2014, creates a structural break in the data.

Table 5a. Bosnia and Herzegovina: Institutions of Bosnia and Herzegovina—General Government Statement of Operations, 2022–31

(KM million)

	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
				Actual			*Projections*			
Revenue	**1,044**	**1,242**	**1,331**	**1,607**	**1,625**	**1,768**	**1,871**	**1,958**	**2,061**	**2,174**
Taxes	866	1,021	1,021	1,021	1,101	1,175	1,245	1,318	1,394	1,474
Direct taxes	0	0	0	0	0	0	0	0	0	0
Indirect taxes	866	1,021	1,021	1,021	1,101	1,175	1,245	1,318	1,394	1,474
Other taxes	0	0	0	0	0	0	0	0	0	0
Social security contributions	0	0	0	0	0	0	0	0	0	0
Grants	13	34	48	26	25	25	25	25	25	25
Other revenue	165	188	263	561	499	567	600	614	642	675
Expenditure	**1,008**	**1,154**	**1,314**	**1,520**	**1,573**	**1,672**	**1,789**	**1,885**	**1,993**	**2,104**
Expense	**974**	**1,114**	**1,227**	**1,457**	**1,505**	**1,598**	**1,711**	**1,803**	**1,906**	**2,012**
Compensation of employees	737	881	913	952	1,027	1,037	1,098	1,163	1,230	1,300
Use of goods and services	185	186	204	219	236	252	267	283	299	316
Social benefits	23	15	17	19	18	19	20	21	23	24
Interest	1	1	0	0	0	0	0	0	0	0
Transfers to other general government units	5	3	57	124	189	258	290	299	316	331
Other expense	11	16	16	127	18	15	16	17	18	19
Net acquisition of nonfinancial assets	**34**	**40**	**88**	**63**	**68**	**73**	**78**	**82**	**87**	**92**
Acquisition of nonfinancial assets	41	55	90	64	69	74	79	83	88	93
Foreign financed capital spending	4	3	3	7	8	8	9	9	10	10
Domestically financed capital spending	37	52	86	57	62	66	70	74	78	83
Disposal of nonfinancial assets	7	15	2	1	1	1	1	1	1	1
Gross/Net Operating Balance (revenue minus expense)	**71**	**127**	**105**	**150**	**120**	**169**	**160**	**154**	**155**	**162**
Net lending/borrowing (revenue minus expenditure)	**37**	**88**	**17**	**87**	**52**	**96**	**82**	**72**	**68**	**70**
Net acquisition of financial assets	**84**	**72**	**91**	**123**	**52**	**96**	**82**	**72**	**68**	**70**
Domestic assets	84	72	91	123	52	96	82	72	68	70
Currency and deposits	83	71	89	112	52	96	82	72	68	70
Debt securities	0	0	0	0	0	0	0	0	0	0
Loans	0	0	0	0	0	0	0	0	0	0
Equity and investment fund shares	0	0	0	0	0	0	0	0	0	0
Foreign assets	0	0	0	0	0	0	0	0	0	0
Net incurrence of liabilities	**49**	**-15**	**75**	**-80**	**0**	**0**	**0**	**0**	**0**	**0**
Domestic liabilities	53	1	79	-76	0	0	0	0	0	0
Foreign liabilities	-5	-16	-4	-4	0	0	0	0	0	0
Debt securities	0	0	0	0	0	0	0	0	0	0
Loans	-5	-16	-4	-4	0	0	0	0	0	0
Other accounts payable	0	0	0	0	0	0	0	0	0	0
Statistical discrepancy	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Memorandum items:										
Net lending excluding externally-financed operations	41	91	21	94	59	104	91	81	78	80

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

Table 5b. Bosnia and Herzegovina: Federation of Bosnia and Herzegovina—General Government Statement of Operations, 2022–31

(KM million)

	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
				Actual			*Projections*			
Revenue	**10,756**	**11,974**	**13,202**	**14,492**	**15,519**	**16,641**	**17,668**	**18,725**	**19,827**	**21,023**
Taxes	5,547	6,065	6,793	7,389	7,945	8,510	9,044	9,599	10,179	10,785
Direct taxes	1,165	1,375	1,496	1,681	1,807	1,928	2,043	2,163	2,288	2,418
Indirect taxes	4,382	4,690	5,296	5,698	6,138	6,581	7,000	7,436	7,891	8,366
Other taxes	0	0	0	10	0	0	0	1	1	1
Social security contributions	4,424	5,070	5,525	6,108	6,443	6,877	7,287	7,714	8,159	8,625
Grants	45	222	63	48	69	75	78	79	80	128
Other revenue	739	617	821	947	1,062	1,179	1,260	1,333	1,408	1,486
Expenditure	**10,535**	**12,566**	**14,062**	**15,530**	**17,245**	**18,645**	**19,856**	**21,035**	**22,239**	**23,568**
Expense	**9,543**	**11,292**	**12,564**	**13,838**	**15,342**	**16,516**	**17,606**	**18,658**	**19,731**	**20,876**
Compensation of employees	2,392	2,732	3,056	3,319	3,658	3,905	4,178	4,422	4,678	4,944
Use of goods and services 1/	2,259	2,548	2,826	776	903	964	1,022	1,082	1,144	1,209
Social benefits 1/	3,637	4,601	5,077	7,924	8,818	9,458	10,075	10,666	11,261	11,866
Interest	126	206	256	244	260	413	502	588	680	803
Subsidies	511	555	637	733	724	772	818	866	876	898
Other expense	615	645	710	840	979	1,004	1,011	1,033	1,093	1,155
Net acquisition of nonfinancial assets	**992**	**1,274**	**1,499**	**1,691**	**1,904**	**2,128**	**2,250**	**2,377**	**2,508**	**2,691**
Acquisition of nonfinancial assets	1,037	1,295	1,523	1,710	1,923	2,149	2,272	2,400	2,533	2,717
Foreign financed capital spending	418	583	522	408	518	650	683	718	754	837
Domestically financed capital spending	619	712	1,001	1,302	1,405	1,499	1,589	1,682	1,779	1,881
Disposal of nonfinancial assets	45	21	24	18	19	21	22	23	24	26
Gross/Net Operating Balance (revenue minus expense)	**1,213**	**682**	**638**	**654**	**177**	**125**	**62**	**67**	**95**	**147**
Net lending/borrowing (revenue minus expenditure)	**221**	**-592**	**-860**	**-1,037**	**-1,726**	**-2,003**	**-2,188**	**-2,310**	**-2,413**	**-2,544**
Net acquisition of financial assets	**262**	**-325**	**-273**	**169**	**-259**	**-386**	**-343**	**-399**	**-16**	**1**
Domestic assets	262	-325	-273	169	-259	-386	-343	-399	-16	1
Currency and deposits	267	-269	71	375	-257	-384	-340	-397	-13	2
Net incurrence of liabilities	**-280**	**416**	**755**	**997**	**1,467**	**1,617**	**1,846**	**1,910**	**2,397**	**2,545**
Domestic liabilities	-336	659	866	443	-145	729	802	988	1,450	1,629
Debt securities	-102	236	478	121	-268	649	719	905	1,360	1,535
Foreign liabilities	56	-243	-111	553	1,612	888	1,044	922	947	916
Debt securities	0	0	0	680	1,565	685	685	685	685	685
Loans	56	-243	-111	-127	48	204	359	238	263	231
Other accounts payable	0	0	0	0	0	0	0	0	0	0
Statistical discrepancy / financing gap	**321**	**-150**	**-168**	**209**	**0**	**0**	**0**	**0**	**0**	**0**
Undentified financing / Discrepancy (historical data)	321	-150	-168	209	0	0	0	0	0	0

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

1/ In 2025, a reclassification of FBiH health fund expenditure from goods and services to transfers, in line with GFSM 2014, creates a structural break in the data.

Table 5c. Bosnia and Herzegovina: Federation of Bosnia and Herzegovina—Central Government Statement of Operations, 2022–31

(KM million)

	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
				Actual			*Projections*			
Revenue	**4,632**	**5,390**	**5,799**	**6,176**	**6,564**	**7,099**	**7,555**	**8,055**	**8,533**	**9,066**
Taxes	1,918	2,238	2,467	2,476	2,646	2,878	3,073	3,318	3,527	3,734
Direct taxes	89	115	114	109	111	118	125	133	140	148
Indirect taxes	1,829	2,123	2,353	2,367	2,535	2,760	2,947	3,185	3,387	3,585
Other taxes	0	0	0	0	0	0	0	0	0	0
Social security contributions	2,459	2,821	3,068	3,359	3,477	3,711	3,932	4,162	4,403	4,654
Grants	31	201	36	0	18	21	20	18	15	59
Other revenue	197	124	221	332	301	321	340	360	381	403
Expenditure	**4,357**	**5,670**	**6,079**	**6,787**	**7,665**	**8,328**	**8,880**	**9,412**	**9,942**	**10,593**
Expense	**4,309**	**5,497**	**5,971**	**6,716**	**7,548**	**8,191**	**8,737**	**9,264**	**9,789**	**10,389**
Compensation of employees	283	325	352	397	487	519	550	583	616	651
Use of goods and services	80	88	99	108	182	195	206	218	231	244
Social benefits	3,085	3,926	4,350	4,786	5,414	5,824	6,224	6,590	6,950	7,310
Interest	103	175	216	203	216	366	453	536	625	745
Subsidies	200	234	265	356	317	338	358	379	361	381
Transfers to other general government units	449	611	508	639	617	652	685	719	754	790
Other expense	110	138	181	226	316	296	261	239	253	267
Net acquisition of nonfinancial assets	**48**	**172**	**108**	**71**	**117**	**137**	**143**	**148**	**153**	**205**
Acquisition of nonfinancial assets	67	173	108	71	117	137	143	148	153	205
Foreign financed capital spending	25	150	78	22	64	80	82	84	85	133
Domestically financed capital spending	42	23	30	50	54	57	61	64	68	72
Disposal of nonfinancial assets	19	0	0	0	0	0	0	0	0	0
Gross/Net Operating Balance (revenue minus expense)	**323**	**-107**	**-172**	**-540**	**-984**	**-1,092**	**-1,183**	**-1,209**	**-1,255**	**-1,323**
Net lending/borrowing (revenue minus expenditure)	**275**	**-280**	**-281**	**-611**	**-1,101**	**-1,228**	**-1,325**	**-1,357**	**-1,409**	**-1,527**
Net financial transactions = Net acquisition of financial assets minus Net incurrence of liabilities	**271**	**-280**	**-510**	**-598**	**-1,101**	**-1,228**	**-1,325**	**-1,357**	**-1,409**	**-1,527**
Net acquisition of financial assets	**-350**	**-453**	**-296**	**-61**	**40**	**33**	**144**	**155**	**567**	**573**
Domestic assets	-198	-453	-296	-61	40	33	144	155	567	573
Currency and deposits	-3	-331	29	146	-100	-100	0	0	401	394
Foreign assets	-152	0	0	0	0	0	0	0	0	0
Net incurrence of liabilities	**-621**	**-173**	**214**	**537**	**1,142**	**1,262**	**1,469**	**1,512**	**1,976**	**2,101**
Domestic liabilities	-290	383	640	225	-197	724	796	983	1,444	1,624
Debt securities	-86	236	478	119	-268	649	719	905	1,360	1,536
Foreign liabilities	-331	-556	-426	311	1,339	538	673	529	532	477
Debt securities	0	0	0	680	1,565	685	685	685	685	685
Loans	-331	-556	-426	-369	-226	-147	-12	-155	-153	-208
Other accounts payable	0	0	0	0	0	0	0	0	0	0
Financing gap	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Statistical discrepancy	**-3**	**0**	**-230**	**13**	**0**	**0**	**0**	**0**	**0**	**0**
Memorandum items:										
Net lending excluding externally-financed operations	269	-250	-238	-589	-1,055	-1,170	-1,263	-1,291	-1,339	-1,453

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

Notes: Central government includes pension fund since 2020. Budget support does not include MFA in 2021.

Table 5d. Bosnia and Herzegovina: Republika Srpska—General Government Statement of Operations, 2022–31
(KM million)

	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
				Actual			*Projections*			
Revenue	**5,872**	**6,447**	**7,255**	**8,000**	**8,493**	**9,093**	**9,655**	**10,232**	**10,837**	**11,468**
Taxes	3,216	3,509	4,096	4,363	4,742	5,080	5,398	5,729	6,074	6,435
Direct taxes	620	747	903	961	1,079	1,152	1,221	1,292	1,367	1,445
Indirect taxes	2,544	2,704	3,126	3,325	3,571	3,829	4,072	4,326	4,590	4,867
Other taxes	52	58	68	77	92	99	104	111	117	124
Social security contributions	2,009	2,287	2,586	2,899	3,173	3,414	3,617	3,829	4,050	4,282
Grants	41	54	49	39	16	17	17	17	18	18
Other revenue	606	597	524	699	562	583	623	657	695	733
Expenditure	**6,096**	**6,830**	**7,529**	**8,344**	**9,365**	**10,069**	**10,744**	**11,417**	**12,089**	**12,795**
Expense	**5,414**	**6,079**	**6,775**	**7,611**	**8,291**	**8,922**	**9,528**	**10,130**	**10,728**	**11,356**
Compensation of employees	1,346	1,492	1,576	1,868	2,104	2,246	2,380	2,519	2,665	2,817
Use of goods and services	456	506	623	720	730	779	826	874	925	977
Social benefits	2,839	3,273	3,618	3,952	4,507	4,813	5,109	5,403	5,695	5,994
Interest	154	217	271	293	284	372	459	534	596	672
Subsidies	236	286	317	309	322	344	365	386	408	432
Other expense	384	305	370	467	342	365	387	409	433	457
Net acquisition of nonfinancial assets	**682**	**751**	**753**	**733**	**1,074**	**1,146**	**1,215**	**1,287**	**1,361**	**1,439**
Acquisition of nonfinancial assets	709	797	825	761	1,102	1,176	1,246	1,319	1,395	1,474
Foreign financed capital spending	88	70	109	63	89	95	100	106	112	118
Domestically financed capital spending	621	727	715	698	1,013	1,081	1,146	1,213	1,283	1,356
Disposal of nonfinancial assets	27	46	72	28	28	30	31	32	34	35
Gross/Net Operating Balance (revenue minus expense)	**458**	**368**	**479**	**390**	**202**	**170**	**127**	**102**	**110**	**112**
Net lending/borrowing (revenue minus expenditure)	**-224**	**-383**	**-274**	**-344**	**-872**	**-976**	**-1,088**	**-1,184**	**-1,252**	**-1,327**
Net acquisition of financial assets	**-33**	**-294**	**128**	**-122**	**50**	**26**	**1**	**31**	**-345**	**-249**
Domestic assets	-33	-294	128	-122	50	26	1	31	-345	-249
Currency and deposits	-101	-233	155	-247	43	18	-8	21	-356	-263
Net incurrence of liabilities	**199**	**118**	**405**	**213**	**922**	**1,002**	**1,090**	**1,215**	**907**	**1,079**
Domestic liabilities	184	671	38	-15	-228	445	527	662	350	571
Debt securities	255	547	30	148	-27	465	546	677	361	579
Loans	-57	-69	98	-149	-38	0	0	0	0	0
Foreign liabilities	15	-553	367	228	1,150	557	563	553	557	508
Debt securities	0	-329	0	0	880	782	685	685	685	685
Loans	15	-259	366	228	270	-226	-122	-132	-127	-177
Other accounts payable	0	34	1	0	0	0	0	0	0	0
Statistical discrepancy / financing gap	**-8**	**-29**	**-3**	**9**	**0**	**0**	**0**	**0**	**0**	**0**

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

Table 5e. Bosnia and Herzegovina: Republika Srpska—Consolidated Central Government Statement of Operations, 2022–31

(KM million)

	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
				Actual			*Projections*			
Revenue	**3,774**	**4,284**	**4,838**	**5,246**	**5,747**	**6,205**	**6,590**	**6,979**	**7,395**	**7,825**
Taxes	2,360	2,621	3,045	3,222	3,528	3,802	4,038	4,281	4,542	4,811
Direct taxes	530	633	766	799	907	968	1,025	1,085	1,148	1,213
Indirect taxes	1,798	1,954	2,241	2,382	2,567	2,778	2,953	3,132	3,326	3,526
Other taxes	33	34	38	41	54	57	61	64	68	72
Social security contributions	1,176	1,352	1,535	1,739	1,910	2,055	2,177	2,305	2,438	2,577
Grants	29	45	34	33	16	17	17	17	18	18
For budget support	0	0	0	0	0	0	0	0	0	0
For investment projects	29	45	34	33	16	17	17	17	18	18
Other revenue	206	263	220	249	229	245	259	274	290	307
Expenditure	**4,151**	**4,630**	**5,036**	**5,830**	**6,963**	**7,522**	**8,044**	**8,558**	**9,065**	**9,598**
Expense	**3,976**	**4,373**	**4,869**	**5,538**	**6,628**	**7,163**	**7,664**	**8,155**	**8,638**	**9,147**
Compensation of employees	1,000	1,104	1,146	1,313	1,505	1,607	1,702	1,802	1,906	2,015
Use of goods and services	207	241	306	393	376	402	426	451	477	504
Social benefits	1,792	2,060	2,347	2,539	2,982	3,186	3,385	3,577	3,765	3,954
Interest	124	174	220	247	242	326	411	483	542	615
Subsidies	181	245	277	271	283	302	320	338	358	378
Transfers to other general government units	395	364	315	428	1,026	1,113	1,179	1,248	1,320	1,395
Other expense	275	185	256	348	213	228	241	256	270	286
Net acquisition of nonfinancial assets	**175**	**257**	**167**	**292**	**336**	**359**	**380**	**403**	**427**	**451**
Acquisition of nonfinancial assets	185	267	219	301	343	366	388	410	434	458
Foreign financed capital spending	33	12	48	31	55	58	61	65	68	72
Domestically financed capital spending	152	256	170	270	288	308	326	345	365	386
Disposal of nonfinancial assets	10	11	51	8	7	7	7	7	7	7
Gross/Net Operating Balance (revenue minus expense)	**-202**	**-89**	**-31**	**-292**	**-880**	**-958**	**-1,073**	**-1,176**	**-1,243**	**-1,321**
Net lending/borrowing (revenue minus expenditure)	**-378**	**-346**	**-198**	**-584**	**-1,216**	**-1,316**	**-1,454**	**-1,579**	**-1,670**	**-1,773**
Net acquisition of financial assets	**-111**	**-193**	**102**	**-127**	**-253**	**-314**	**-364**	**-364**	**-763**	**-694**
Domestic assets	-111	-193	102	-127	-253	-314	-364	-364	-763	-694
Currency and deposits	-65	-120	110	-246	-239	-300	-350	-350	-749	-683
Loans	-50	-61	-362	-36	-15	-14	-14	-14	-14	-11
Equity and investment fund shares	0	1	360	183	0	0	0	0	0	0
Net incurrence of liabilities	**265**	**136**	**301**	**457**	**963**	**1,002**	**1,090**	**1,215**	**907**	**1,079**
Domestic liabilities	209	678	-112	182	-187	445	527	662	350	571
Debt securities	254	549	37	156	-27	465	546	677	361	579
Loans	-51	-46	-22	-18	-18	0	0	0	0	0
Foreign liabilities	56	-542	412	276	1,150	557	563	553	557	508
Debt securities	0	-329	0	0	880	782	685	685	685	685
Loans	56	-213	412	276	270	-226	-122	-132	-127	-177
Other accounts payable	0	34	1	0	0	0	0	0	0	0
Statistical discrepancy	**1**	**17**	**0**	**-1**	**0**	**0**	**0**	**0**	**0**	**0**
Memorandum items:										
Net lending excluding externally-financed operations	-373	-379	-184	-587	-1,177	-1,275	-1,409	-1,532	-1,620	-1,719

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

Note: MFA was recorded as investment loans in 2021.

Table 6. Bosnia and Herzegovina: Monetary Survey, 2020–27

	2020	2021	2022	2023	2024	2025	2026	2027
						Prel.	*Projections*	
Monetary Survey				*(Million KM, end of period)*				
Net Foreign Assets	16,013	19,112	19,272	20,497	22,282	23,022	24,030	24,417
Net Domestic Assets	12,513	11,813	13,357	14,626	16,238	18,950	21,486	24,917
Domestic credit	19,844	19,183	20,549	22,677	25,311	28,772	31,928	35,432
Claims on general government (net)	592	-804	-509	125	631	1,481	1,871	3,361
Claims on public non-financial corporations	541	532	653	645	734	808	872	930
Claims on private sector	18,711	19,455	20,405	21,907	23,946	26,483	29,185	31,140
Other items (net)	-7,840	-6,779	-6,581	-7,383	-8,461	-8,879	-10,441	-10,515
Broad Money (M2)	28,017	31,516	33,240	35,791	39,132	42,915	45,516	49,335
Currency	5,043	5,540	6,126	6,551	6,873	7,459	7,836	8,255
Demand deposits	9,780	12,388	13,752	15,064	17,237	19,370	14,419	15,952
Other Deposits	13,194	13,588	13,361	14,176	15,022	16,085	23,262	25,128
Time and savings deposits	3,035	3,044	2,879	2,891	3,170	3,958	9,301	10,291
Foreign currency deposits	10,159	10,544	10,483	11,285	11,852	12,127	13,961	14,837
Central Bank of the BiH (CBBH)								
Net Foreign Assets	13,895	16,375	16,094	16,316	17,665	18,235	19,140	19,492
Net Domestic Assets	-665	-1125	-685	-736	-845	-669	-720	-817
Banks reserves	5,901	7,220	7,217	7,083	7,455	7,326	7,517	7,754
Other liabilities	232	305	273	17	15	21	22	24
Other items	926	800	485	918	1,393	1,684	1,817	1,376
Memorandum items:								
Monetary Survey				*(Annual percent change in terms of broad money)*				
Net Foreign Assets	7.9	11.1	0.5	3.7	5.0	1.9	2.3	0.9
Net Domestic Assets	0.6	-2.5	4.9	3.8	4.5	6.9	5.9	7.5
Domestic credit	1.0	-2.4	4.3	6.4	7.4	8.8	7.4	7.7
Claims on general government (net)	2.9	-5.0	0.9	1.9	1.4	2.2	0.9	3.3
Claims on private sector	-2.1	2.7	3.0	4.5	5.7	6.5	6.3	4.3
				(Annual percent change)				
Broad Money (M2)	7.1	12.5	5.5	7.7	9.3	9.7	6.1	8.4
Reserve Money (RM)	10.7	17.4	3.3	-1.7	5.2	3.0	4.5	4.2
Credit to the private sector	-2.8	4.0	4.9	7.4	9.3	10.6	10.2	6.7
				(Percent)				
Credit to the private sector (percent of GDP)	53.9	49.7	44.7	43.9	44.5	46.8	47.8	47.8
Broad money (percent of GDP)	80.7	80.5	72.9	71.7	72.8	75.9	74.6	75.8
Central bank net foreign assets (percent of monetary base)	112.9	113.3	107.8	111.3	114.5	114.8	115.3	112.7
				(Ratio)				
Velocity (GDP/end-of-period M2)	1.3	1.3	1.3	1.4	1.4	1.4	1.4	1.4
Reserve money multiplier (M2/RM)	2.3	2.2	2.2	2.4	2.5	2.7	2.7	2.9

Sources: CBBH; and IMF staff estimates and projections.

Table 7. Bosnia and Herzegovina: Gross Financing Requirements, 2022–31
(Millions of euros)

	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
				Prel.			*Projections*			
Financing requirements	2,043	2,017	2,371	2,286	3,158	2,930	3,027	3,148	3,708	5,101
Current account deficit	1,022	546	951	930	1,515	1,550	1,605	1,626	1,699	1,782
Amortization (excl. banks and ST private)	1,020	1,471	1,420	1,356	1,642	1,379	1,422	1,522	2,009	3,318
Government	355	717	566	478	749	475	464	490	851	2,033
Private	665	754	853	878	893	905	958	1,032	1,158	1,286
Financing	2,043	2,017	2,371	2,286	3,158	2,930	3,027	3,148	3,708	5,101
Capital transfers	166	184	201	160	164	169	173	178	183	188
FDI	803	936	816	468	818	830	890	942	996	1,095
Net bank financing	-184	-356	-91	60	-3	2	3	5	-19	-18
Foreign loans	1,080	1,103	1,591	1,366	1,410	1,477	1,744	2,031	2,180	2,238
Government	366	290	703	453	584	438	559	517	542	481
Private (excl. ST)	714	814	888	913	825	1,038	1,186	1,513	1,638	1,757
Gross international reserves (- = increase) 1/	-73	-26	-555	-131	-462	-180	-319	-549	-517	-486
Eurobonds		0	0	350	1,550	750	700	700	1,050	2,250
Other 2/	250	177	410	12	-319	-117	-165	-158	-165	-166
Financing gap	0	0	0	0	0	0	0	0	0	0
IMF	0	0	0	0	0	0	0	0	0	0
WB	0	0	0	0	0	0	0	0	0	0
EU	0	0	0	0	0	0	0	0	0	0
Other financing (Croatia, private, etc.)	0	0	0	0	0	0	0	0	0	0
Temp. overaccumulation(-) / use(+) of reserves	0	0	0	0	0	0	0	0	0	0

Source: IMF staff projections and calculations.

1/ Excluding temporary overaccumulation.

2/ It includes net errors and omissions, net portfolio flows, asset transactions of general government and non-bank private sector, and trade financing.

Table 8. Bosnia and Herzegovina: Financial Soundness Indicators, 2018–2025
(Percent)

	2018	2019	2020	2021	2022	2023	2024	2025
Capital								
Tier 1 capital to total risk exposure	16.5	17.5	18.1	18.7	18.7	18.7	18.7	18.7
Total regulatory capital ratio	17.5	18.0	19.2	19.6	19.6	19.7	19.8	20.1
Financial leverage ratio (Tier 1 capital to assets)	10.4	10.5	10.2	10.0	9.9	10.1	10.6	10.7
Quality of assets								
Non-performing loans to total loans	8.8	7.4	6.1	5.8	4.5	3.8	3.2	2.4
Non-performing loans net of provisions to capital	11.4	9.6	7.4	7.0	4.7	3.8	3.2	2.2
Provisions to non-performing loans	77.4	77.0	78.4	78.4	81.4	81.7	80.3	82.4
Profitability								
Return on assets	1.3	1.4	0.7	1.3	1.6	2.0	2.2	2.1
Return on equity	8.5	9.1	5.6	9.6	12.0	15.0	16.0	14.7
Net interest income to gross income	58.8	56.8	56.0	59.2	56.6	63.3	61.2	59.7
Non-interest expenses to gross income	63.2	63.6	65.5	60.1	55.7	52.6	51.3	52.6
Liquidity								
Liquid assets to total assets	29.3	29.2	28.6	30.7	30.5	29.0	28.2	25.3
Liquid assets to short-term financial liabilities	60.4	61.0	51.3	51.3	48.4	47.2	45.8	40.5
Short-term financial liabilities to total financial liabilities	57.2	56.2	65.4	68.8	72.6	71.1	71.8	72.9
Foreign exchange risk								
Foreign currency and indexed loans to total loans	56.7	53.9	53.9	50.2	43.3	37.6	31.9	30.1
Foreign currency liabilities to total financial liabilities	53.3	50.7	48.1	44.4	42.5	41.2	40.0	37.7
Net open position in foreign exchange to capital	2.1	3.4	4.2	4.0	1.0	1.5	3.6	1.7

Source: CBBH.

Note: Financial Soundness Indicators are based on the 2019 FSI Compilation Guide.

Annex I. Implementation of 2025 Article IV Recommendations

IMF recommendations	Policy actions
Fiscal policy: restrain the fiscal expansion to contain financing pressures	
Avoid further deficit-widening measures and strengthen contingency measures.	**Not implemented.** The headline deficit turned out to be only slightly lower than projected by staff. However, new discretionary measures were introduced in 2026. The authorities have stepped up efforts to strengthen access to external markets.
Follow IMF Public Investment Management Assessment (PIMA) recommendations to strengthen project appraisal, multi-year budgeting, and project portfolio management and oversight. Under-execution of capital investment or resorting to arrears should be avoided.	**Partially implemented.** The authorities are advancing public investment management information system improvements, including rules for project selection, evaluation, and prioritization. Investment execution is typically high in RS but remains significantly lower in FBiH. According to entity reports, arrears did not increase.
Mobilize additional revenue by reducing exemptions, strengthening new revenue sources, and implementing the ITA comprehensive reform program based on the 2024 IMF diagnostic review.	**Partially implemented.** While some progress has been made with the implementation of the ITA reform program, no measures were taken to reduce tax exemptions. FBiH has extended the decree that allows employers to provide employees with temporary cash allowances that are exempt from personal income tax and social security contributions.
Increase spending efficiency and effectiveness by wage bill rationalization, avoidance of discretionary pension adjustments and better targeted social assistance.	**Not implemented.** Both entities have increased the wage bill and pensions through discretionary measures. The absence of comprehensive social registries continues to hinder better targeting.
Strengthen fiscal risk management and upgrade the fiscal framework.	**Partially implemented.** FBiH has yet to begin fiscal risk analysis, while RS has made progress, though further strengthening is needed, including coverage of contingent liabilities from international arbitration. IMF provided TA on fiscal rules to FBiH in May 2026.
Strengthen public enterprise governance.	**Partially implemented.** In RS, the public enterprise coordination oversight unit has started its operations and published its first report. In FBiH, the unit's activities remain at an early stage.
CBA and financial sector policies: strengthen the CBA and the reserve requirement framework	
Preserve CBBH independence and avoid actions undermining or threatening its independence.	**Implemented.** OHR intervention helped avert legal proceedings against the CBBH threatening the seizure of its assets and property.
Maintain current remuneration rates and raise them if pressures on FX reserves emerge.	**Implemented.** CBBH has not changed the remuneration rate on banks' reserves since the last AIV consultation.

IMF recommendations	Policy actions
Remove limits on exposures to foreign sovereigns, which constitute residency-based capital flow management measure.	**Not implemented.** The banking agencies' temporary decisions to limit the exposures were extended until the end of 2026.
Allow temporary regulatory measures on interest rates to lapse.	**Partially implemented.** The banking agencies' temporary decisions to limit the increase in lending rates were extended until the end of Q2 2026. A permanent regulation to limit interest-rate-induced credit risk was introduced in FBiH and RS.
Closely monitor financial risks, including an interest rate risk.	**Implemented.** The banking agencies are closely monitoring banks to ensure the stability of the financial system.
Establish a Financial Stability Fund (FSF).	**Not implemented.** The authorities hold differing views on whether an FSF should be established at the state level or at the entity level.
Enhance coordination among key stakeholders for financial stability.	**Implemented.** The authorities hold regular banking coordination meetings; Meetings of the Standing Committee for Financial Stability had resumed in October 2024.
Strengthen the macroprudential framework by advancing additional capital buffers (CCyB) and borrower-based measures beyond reporting (LTV and DSTI).	**Partially implemented.** Authorities have introduced LTV and DSTI as reporting requirements as a first step. The CCyB has not yet been implemented due to disagreements over the central bank's role.
Refrain from reducing the regulatory capital requirement in RS from 12 to 10 percent starting end-2026.	**Not implemented.** RS is proceeding with a reduction in the regulatory capital requirement to 10 percent starting from the end-2026.
Energy Policy and Reforms	
Liberalize electricity prices by phasing out subsidies, while protecting the most vulnerable households.	**Partially implemented.** FBiH increased electricity prices and introduced block tariffs effective September 1, 2025. RS introduced block tariffs over three years ago, with no recent tariff increases.
Take immediate action to prepare for CBAM.	**Not implemented.** The authorities have not taken steps to mitigate CBAM's impact on exports. While the Council of Ministers adopted draft electricity market legislation in 2025, which could enable an electricity exchange and delay CBAM application to electricity, the law has not yet been adopted by parliament.
Establish a carbon pricing scheme and consider interim carbon-pricing alternatives (tax or excise).	**Not implemented.** Interest in alternative carbon pricing instruments was expressed at the technical level, but no follow-up actions were taken.
Other structural policies and reforms	
Accelerate progress toward EU accession and implement structural reforms under the EU Growth Plan.	**Partially implemented.** The EC approved BiH's Reform Agenda on December 4, 2025, following its endorsement by the BiH Council of Ministers after

IMF recommendations	Policy actions
	prolonged negotiations. However, the EU's 2025 Progress Report finds that BiH made no progress in 28 areas and only limited legislative reforms. Preconditions for accessing Growth Plan funds remain unmet.
Encourage flexible employment, expand childcare to encourage higher female participation, and tackle skills mismatches and long-term unemployment.	**Not implemented.** There were no changes to legislation or policies in this area.
Use an agreed methodology for minimum wage increases and avoid large, discretionary adjustments.	**Partially implemented.** Minimum wage increases in 2026 were marginal in both entities. In FBiH, the increase followed the existing methodology, while RS still lacks a rule-based system.
Strengthen the judiciary, reduce corruption and fight organized crime by completing the legislative and institutional framework and stepping up implementation of the rules.	**Not implemented.** Anti-corruption reforms remain inadequate amid complex political and legal arrangements, entrenched patronage networks, and weak accountability. Limited beneficial ownership transparency constrains oversight, and competitive public procurement remains weak.
Implement MONEYVAL priority actions to avoid grey-listing.	**Partially implemented.** While a permanent state level AML/CFT coordination body was established and the AML/CFT Rulebook adopted, implementation of remaining priority actions remains incomplete, with BiH placed on FATF grey-listing.

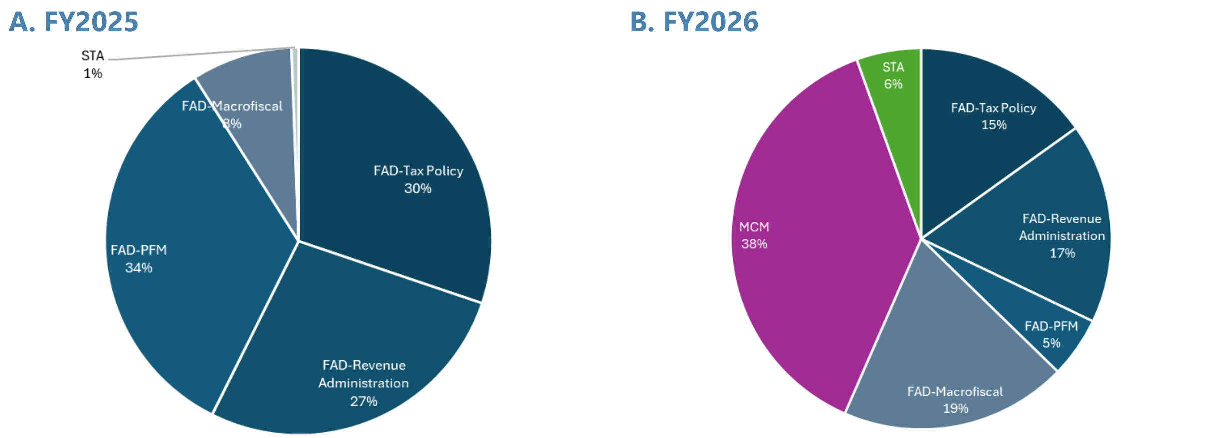
Annex II. Capacity Development

A. Context

1. The fiscal policy workstream continues to dominate IMF Capacity Development (CD) engagement, alongside deepening support in central bank operations. Over the past year, the IMF Fiscal Affairs Department (FAD) has provided significant support to implement PIMA recommendations, review the design and operation of fiscal rules, improve fiscal risk analysis, analyze tax expenditures, and strengthen the functioning of tax administrations within BiH. In central bank operations, recent CD on the reserve requirement framework, CBBH risk management and cybersecurity, CBBH strategic planning and organization, and a comprehensive central bank transparency review expanded the agenda to governance, communications, and institutional effectiveness. Payments modernization and SEPA-related work have accelerated, including legal and regulatory preparations. Statistics CD has also become more intensive, notably through follow-up work on GFS and financial accounts to improve consolidation across levels of government and support progress toward SDDS subscription.

2. The new IMF Southeast Europe Technical Assistance Center (SEETAC) will provide sustained CD support to accelerate reform progress and EU accession. SEETAC will deliver tailored, high-quality, practical TA, training, and peer-to-peer engagement in core IMF areas critical to sound macroeconomic management. The center will closely integrate CD with IMF surveillance while strengthening coordination with partner institutions in the region. By aligning expertise and resources from the IMF with actions of the EC, World Bank, and other partners, SEETAC will provide harmonized and targeted support, enhancing reform traction, capacity, and progress toward EU-related objectives.

Annex II. Table 1. Bosnia and Herzegovina: Shares of IMF Capacity Development by Workstream



B. Medium-Term Reform Priorities

3. BiH is an intensive surveillance country and a heavy user of IMF CD. Over the medium term, CD priorities are expected to remain broad, with emphasis on cross cutting institutional capacity, coordination, and implementation. Key priorities in each area of CD activities are:

- **Fiscal**: (i) *PFM:* fiscal rules, medium-term budgeting, PIM, fiscal risks, and enhancing the credibility of fiscal frameworks; (ii) *Tax policy*: reduce discrepancies with EU acquis, harmonize taxes, reduce tax burden on labor and broaden tax base; rationalization of tax expenditures; support the introduction of modern value-based property tax (iii) *Revenue administration*: improve cooperation among BiH revenue administrations, harmonize customs administration with EU policy, modernize tax administration including human resources, compliance risk management (CRM), collection and debt and arrears management; (iv) *Expenditure policy*: better targeting of social spending, rationalize the wage bill, pension system sustainability.
- **Monetary, Exchange Rate, Financial Sector**: (i) *Monetary and macroprudential policies*: enhancing macroprudential framework. (ii) *Central bank operations*: upgrading reserve requirements, transparency review, (iii) *Financial supervision and regulation*: coordination between supervisory entities, implement EU policies on banking and insurance supervision; (iv) *Financial crisis management*: strengthening financial crisis preparedness, including bank resolution framework (v) *Payments and infrastructure*: modernization and SEPA related work, strengthen regulations for virtual assets, upgrading national payments and the integration with the EU, cybersecurity.
- **Macroeconomic Statistics**: improve data quality, coverage, and consistency in national accounts, external sector statistics, financial accounts statistics, and produce official core CPI, enhance GFS accounting and reporting across entities. Reduce intra-governmental discrepancies, strengthen consolidation practices, and improve dissemination, including via SDDS.
- **Other TA areas**: policy responses to ETS and CBAM, macroeconomic analysis and forecasting, governance diagnostic, fiscal and financial legal drafting, financial integrity, in particular, strengthening the AML/CFT frameworks.

C. Partnerships and Other Providers of CD

4. The authorities continue to play a central role in coordinating CD support from development partners, including the IMF, the EU, the World Bank, and bilateral partners. As EU linked conditional financing becomes more prominent, effective coordination across providers will be increasingly important to avoid duplication, ensure consistency, and maximize impact.

5. Collaboration with the EU remains particularly close, with IMF CD complementing EU support in areas such as fiscal governance, statistics, financial sector regulation, and payments modernization. IMF engagement is expected to focus on analytical underpinnings, institutional design, and implementation support, helping to operationalize reforms under the EUGP.

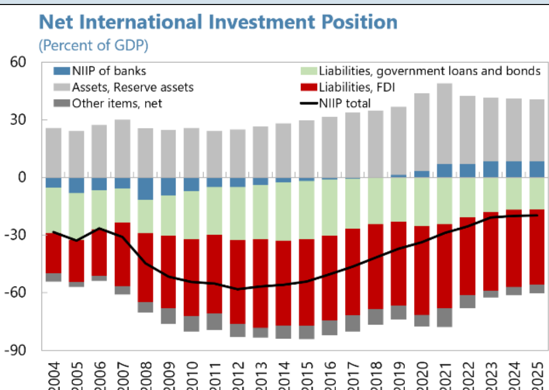
6. Cooperation with the World Bank continues to be strong and complementary. World Bank support in public investment management, fiscal governance, financial sector reform, and payments modernization aligns closely with IMF CD priorities, while IFC engagement supports private sector development, SOE performance, and green finance. Coordination with bilateral partners, including SECO, is also important, particularly in central bank operations, statistics, and communications.

Annex III. External Sector Assessment

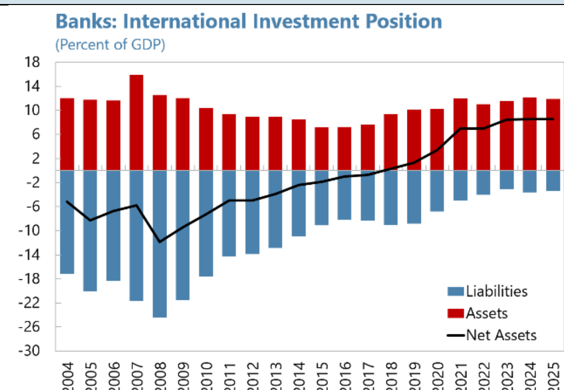
Overall Assessment:[1] *The external position of BiH in 2025 is estimated to have been moderately stronger than the level implied by fundamentals and desirable policies, with a positive current account gap (1.9 percent of GDP). The current account deficit (CAD) was 3.2 percent of GDP in 2025, close to 3.5 percent of GDP a year earlier. The CAD is projected to increase to 4.9 percent of GDP in 2026, driven by higher fuel import costs and the fiscal expansion, but reverse toward 4.3 percent of GDP over the medium term as international prices normalize. Gross international reserves were above the traditional reserve-adequacy thresholds but below adjusted reserve-adequacy metrics. External risks are tilted to the downside. Recent real exchange rate dynamics vis-à-vis TFP and rising domestic costs point to some erosion in competitiveness.*

Policy Advice: *Amid growing external pressures and the projected CAD deterioration, the authorities should avoid relaxing fiscal policies, a rapid debt build-up, as well as labor and fiscal policies that undermine competitiveness. The CBBH should reduce gaps in remuneration rates on bank reserves with the euro area. Over the medium term, fiscal consolidation—especially targeting the public sector wage bill—and structural reforms to enhance governance, improve the business environment, and increase private investment would help narrow the current account gap. Policies advancing decarbonization and energy market reforms are needed in light of EU CBAM introduction; progress on EU accession would help to close structural policy gaps and unlock low-cost financing.*

Foreign Assets and Liabilities: Position and Trajectory



Sources: BiH authorities; and IMF staff calculations.



Sources: BiH authorities; and IMF staff calculations.

Background. The net international investment position (NIIP) improved gradually during 2013–23 and stabilized in 2024–2025, reaching -19.9 percent of GDP at end-2025. NIIP stabilization reflects stalling of past bank NIIP increases (as yields in the Eurozone got close to yields in Bosnia), government financing reduction (as BiH entities increased direct external borrowing and Eurobond issuances), and in international reserves accumulation. FDI liabilities have exhibited some variation but have remained broadly stable since 2012, reaching 39.3 percent of GDP in 2025.

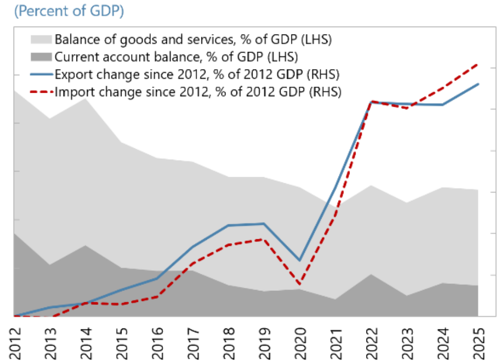
Assessment. The NIIP implies low risks to external sustainability and leaves space for pick up in foreign project loans and external budget financing. Going forward, gradual deterioration in the NIIP is projected, driven by sustained FDI inflows and increase in external budget financing.

2025Q4 (% GDP)	NIIP: -19.9	Gross Assets: 57.8	Debt Assets: 23.2 (ex. FX reserves)	Gross Liab.: 77.7	Debt Liab.: 46.2

Current Account

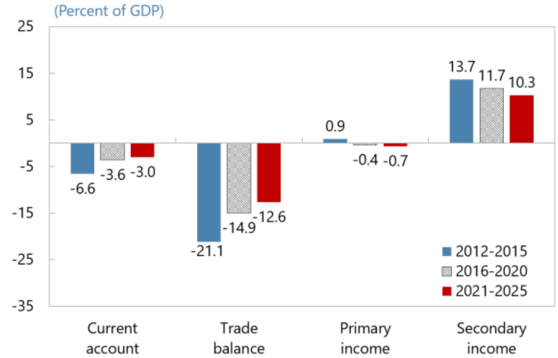
Background. The narrowing CAD trend after 2012, reflecting improvement in the balance of goods and services despite slowdown in the secondary income, was a key driver behind the NIIP increase and reserves accumulation, but this trend has plateaued since the pandemic. In 2025, the CAD was broadly unchanged at 3.2 percent of GDP compared to 3.5 percent of GDP a year earlier but with a compositional shift. The trade balance increased by 1.2 ppts. of GDP, supported by terms-of-trade improvement (notably, price reduction for a broad range of non-food imports, reflecting low commodity prices and NEER appreciation) despite weak export and strong import volume growth amid weak external demand, strong domestic demand, and growing competitiveness concerns (REER appreciation). The balance of services declined by 0.8 ppts. of GDP due to slow growth in tourism[3], IT, and manufacturing services. Primary and secondary income balances saw little change in 2025. The CAD is projected to increase to 4.9 percent of GDP in 2026, largely driven by the fuel prices surge and fiscal expansion, but is expected to reverse and converge toward 4.3 percent of GDP over the medium term as international prices normalize.

Current Account and Trade Dynamics
(Percent of GDP)



Sources: BiH authorities; and IMF staff calculations.

Current Account and Components
(Percent of GDP)



Sources: BiH authorities; and IMF staff calculations.

Assessment. Staff assesses that the external position of BiH in 2025 was moderately stronger than the level implied by fundamentals and desirable policies. The IMF EBA-lite CA model estimates the CA norm for BiH at -4.7 percent of GDP, while the actual CA was at -3.2 percent of GDP and the adjusted CA -2.8 percent of GDP. This implies a CA gap of 1.9 percent of GDP. The positive CA gap is partly explained by the policy gap of 1.0 percent of GDP. Fiscal policy makes a positive contribution to the current account gap (+0.7), largely reflecting relatively more expansionary fiscal stances among trading partners; however, BiH's own fiscal position remains looser than warranted (policy stance P = −2.5 percent of GDP versus a desired P* = −1 percent), pointing to the need for fiscal tightening.

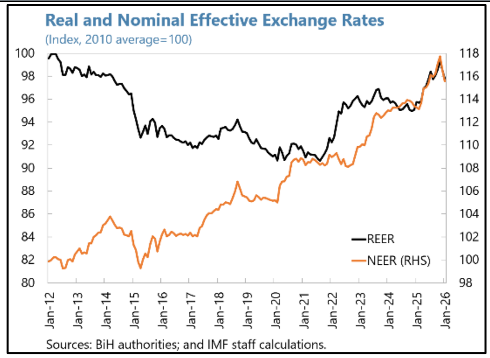
Bosnia and Herzegovina: EBA-lite Model Results, 2025

	CA model 1/	**REER model** 1/
	(in percent of GDP)	
CA-Actual	**-3.2**	
Cyclical contributions (from model) (-)	-0.1	
Natural disasters and conflicts (-)	-0.3	
Adjusted CA	**-2.8**	
CA Norm (from model) 2/	**-4.7**	
Adjusted CA Norm	**-4.7**	
CA Gap	**1.9**	**-2.6**
o/w Relative policy gap	1.0	
Elasticity	-0.3	
REER Gap (in percent)	**-5.9**	**8.0**

1/ Based on the EBA-lite 3.0 methodology
2/ Cyclically adjusted, including multilateral consistency adjustments.

Real Exchange Rate

Background. The REER appreciated in 2025 by 3.6 percent (December 2025 to December 2024), reflecting a relatively strong euro leading to nominal effective exchange rate (NEER) appreciation.



Assessment. The CA gap estimate implies REER undervaluation of 5.9 percent. At the same time, the recent REER appreciation points in the opposite direction, as the EBA-lite Index REER (IREER) model shows the REER to be overvalued by 8.0 percent. However, staff views the IREER estimates as less reliable, as they are sensitive to structural (rather than cyclical) changes in the current account, including recent terms-of-trade gains and shifts in services exports—which are not fully captured by the model in the current context. Staff therefore continue to base the external assessment on the CA model estimates (undervaluation of 5.9 percent).

Capital and Financial Accounts: Flows and Policy Measures

Background. Net financial inflows reduced to 3.1 percent of GDP in 2025 from 5.0 percent in 2024. This largely reflects reduction in net FDI inflows due to one-off operations in the metal sector to 1.6 percent of GDP in 2025 compared to 3.0 percent of GDP in 2024. The banking sector capital outflow trend has slowed (in view of the ECB-CBBH interest rate gap reduction) and government borrowing remained broadly stable.

Assessment. For 2026, staff projects an increase in net financial inflows to 5 percent of GDP. The projection reflects a pickup in net FDI inflow to 2.8 percent of GDP and a rapid increase in external borrowing, including Eurobond issuance by both entities. Risks related to capital flows are tilted to the downside and stem primarily from stronger-than-expected tightening of global financial conditions, which might spur outflow of funds from the banking sector or reduce the volume of external financing. Increasing CBBH remuneration of bank reserves, while allowing other domestic interest rates to rise to reflect market conditions, would help stabilize capital flows and foster accumulation of international reserves.

FX Reserves

Background. Gross international reserves (GIR) reached €9.3 billion at end-2025 (31.9 percent of GDP). An increase in nominal reserves by €0.3 billion in 2025 was partly due to valuation effect (particularly, for monetary gold), partly due to positive overall balance (€0.1 billion).

Reserve Adequacy Ratios for Bosnia and Herzegovina, 2025 1/

	Minimum threshold	Gross reserves 2025Q4
Reserve/STD (percent)2/	100	196.1
Reserve/Months of prospective import goods and services 3/	3	6.5
Reserve/Broad money (percent) 4/	-	42.5
Reserves/ARA metric (percent) 5/	100	111.0
Reserves/Adjusted ARA metric (percent) 5/	100	96.0

1/ Based on Latest IIP data from the fourth quarter of 2025.
2/ Suggested threshold for adequacy: 100 percent.
3/ Suggested range for adequacy: 3-6 months;
4/ Suggested threshold for adequacy: 20 percent
5/ Suggested range for adequacy: 100-150 percent, depending on tolerance of exchange rate swings.

Assessment. Reserve coverage in 2025 declined in relative terms but stayed above standard reserve adequacy thresholds. GIR at end-2025 were estimated at 6.5 months of prospective imports of goods and services compared to 6.9 months at end-2024. According to the traditional IMF reserve adequacy metric, coverage in 2025 was estimated at 111 percent, above the minimum suggested level of 100 percent. Reserves fell below 100 percent of the *adjusted* ARA metric, which accounts for the significant role of remittances in BiH and a higher coverage ratio for the currency board arrangement (CBA).[2] It would be therefore prudent to build higher reserve buffers.

[1] The external sector assessment is based on the 2025 actual data, as reported by the authorities.
[2] See IMF Country Report No. 21/43, 2021, for details on adjusted ARA metric.
[3] Tourism flows from GCC countries were constrained by the temporary and uneven nature of visa exemptions, late policy decisions, and administrative hurdles, which limited advance travel planning despite strong underlying demand.

Annex IV. Risk Assessment Matrix [1]

Source of Risks	Relative Likelihood	Impact if Realized	Recommended Policy Response
Global conjunctural risks			
Geopolitical tensions and intensification of conflicts.	**High**	**High** • Heightened global uncertainty would weaken growth in BiH's trading partners, tighten financial conditions, and raise external financing costs, which would reduce exports, FDI inflows, and domestic investment, while raising fiscal interest spending. • Energy and commodity supply disruptions—including fertilizers—would raise inflation and lower growth, while weaker host-country economic conditions would cut remittances and tourism, widening the current account deficit.	• Accelerate structural and EU-accession reforms, including timely implementation of the EU Growth Plan, to strengthen governance, deepen market integration, improve physical and digital infrastructure, advance labor market reforms, and support human capital accumulation, boosting productivity, competitiveness, and crowding in private investment. • Maintain fiscal restraint under the CBA, improve the efficiency and composition of public spending, limit current spending growth, while mobilizing revenues, additional official financing and building buffers.
Protectionism and Trade Disruptions	**High**	**High** • Adverse changes in global or regional trade policies would weaken demand for BiH exports, particularly in manufacturing sectors integrated into EU value chains, slowing growth and widening the current account deficit.	• Advance trade facilitation and business environment reforms to support competitiveness and private investment, while promoting export market and product diversification and deeper integration into EU value chains. Keep macroeconomic stability under the CBA through prudent, well-coordinated fiscal policy, and leverage EU accession reforms, the EU Growth Plan, and IFI support to crowd in investment.

[1] The Risk Assessment Matrix (RAM) shows events that could materially alter the baseline path. The relative likelihood is the staff's subjective assessment of the risks surrounding the baseline ("low" is meant to indicate a probability below 10 percent, "medium" a probability between 10 and 30 percent, and "high" a probability between 30 and 50 percent). The RAM reflects staff views on the source of risks and overall level of concern as of the time of discussions with the authorities. Non-mutually exclusive risks may interact and materialize jointly. The conjunctural shocks and scenarios highlight risks that may materialize over a shorter horizon (between 12 to 18 months) given the current baseline. Structural risks are those that are likely to remain salient over a longer horizon.

Source of Risks	Relative Likelihood	Impact if Realized	Recommended Policy Response
Fiscal Vulnerabilities and Higher Interest Rates.	High	Medium • Higher global interest rates would raise borrowing costs and rollover risks for entities and SOEs, constraining fiscal space. • Reduced access to external financing could induce the public sector to crowd out private credit through greater reliance on domestic funding, while stronger sovereign–bank linkages could tighten credit conditions, weighing on consumption and investment.	• Strengthen fiscal discipline and coordination across all levels of government, supported by enhanced public debt management, credible medium-term fiscal frameworks, and fiscal rules. • Improve public spending composition and efficiency, prioritizing growth-enhancing investment while containing current expenditure. Mobilize concessional and official financing to reduce reliance on market-based funding during periods of heightened volatility. • Preserve financial sector resilience through vigilant supervision and monitoring of sovereign–bank linkages.
Global structural risks			
Labor Shortages and Remittances.	High	Medium • Tighter immigration policies in destination economies would lead to lower remittance inflows, weigh on domestic disposable income, and weaken growth prospects.	• Accelerate structural and governance reforms to strengthen competitiveness and resilience. • Advance EU accession–related reforms to deepen market integration, boost competitiveness, and reduce the out-migration of skilled labor.
Country-specific risks			
Escalation of domestic political tensions.	High	High • Heightened political uncertainty in an election year would weaken investor confidence, discouraging FDI and private sector investment, and further slowdown reforms, weighing on growth prospects. • IFI and bilateral support for project financing could be delayed or suspended, slowing the EU accession process.	• De-escalate political tensions and prioritize a set of mutually agreed reforms. • Revitalize reform momentum through compromise on shared economic and strategic objectives. • Advance reforms that support progress on the EU path and sustain broader EU and IFI support.

Source of Risks	Relative Likelihood	Impact if Realized	Recommended Policy Response
Delays in the implementation of the EU Growth Plan reforms and slow progress on the EU accession path.	**High**	**High** • BiH's growth potential remains low and per capita income is about 35 percent of the EU average. Failure to implement the EU Growth Plan reforms in a timely fashion will keep the prospects for raising competitiveness and growth weak and further delay income convergence. • Lower access to concessional external project financing would limit public investment and medium-term growth	• De-escalate political tensions and strengthen macroeconomic policy coordination by prioritizing a limited set of mutually agreed reforms, revitalizing reform momentum through compromise on shared economic objectives, and advancing measures that support progress on the EU accession path.
Delays in reforms required for CBAM exemption.	**High**	**Medium** • Loss of competitiveness and decline in exports of electricity and other carbon intense goods. • Decline in potential growth and employment.	• Adjust electricity pricing to encourage efficient consumption and investment, accelerate reforms to align BiH's electricity market with the EU framework—including carbon pricing and ETS—and support competitiveness and renewable energy development through legal and regulatory reforms.
Loose fiscal policy undermining medium-term sustainability	**High**	**Medium** • Untargeted and permanent increases in current spending would reduce fiscal space and crowd out public investment. • Higher domestic and external financing pressures could raise borrowing costs and threaten fiscal and external sustainability.	• Curb current spending and rebuild fiscal buffers, informed by reviews of public wages, employment, and social benefits, while improving public spending composition and efficiency—including project implementation and procurement—and advancing reforms to mobilize additional official financing.

Annex V. Public Debt Sustainability Analysis

Annex V. Figure 1. Risk of Sovereign Stress

Horizon	Mechanical signal	Final assessment	Comments
Overall	…	Moderate	Although BIH's debt-to-GDP ratio remains low (below 30 percent), the overall risk of sovereign stress is moderate. This assessment reflects the cummulative effect of four consecutive years of expansionary fiscal policy and increasing primary deficits, which are expected to continue over the medium term, implying rising financing needs. There are also gaps in debt coverage, especially SOE-related debt, which could pose additional risks.
Near term 1/			
Medium term	Moderate	Moderate	Medium-term risks for GFNs are low, but GFNs are increasing on the back of continued fiscal deficits and rising debt service burden. The probability of debt non-stabilization increased due to worsened primary balance projections. The overall assessment for medium-term risks is moderate.
Fanchart	High	…	
GFN	Low	…	
Stress test	…	…	
Long term	…	Moderate	Long-term risks are driven by the high dependency ratio in Bosnia and Herzegovina as a result of the migration of the working age young. Aging-related expenditures on health and pensions feed into debt dynamics, pose a long-term risk on government finances, and could lead to significantly higher debt-to-GDP ratio in the long run.
Sustainability assessment 2/	Not required for surveillance countries	Not required for surveillance countries	
Debt stabilization in the baseline			No

DSA summary assessment

Commentary: The DSA indicates that sovereign risks are low but increasing, with debt-to-GDP ratios that do not stabilize over the projection horizon. The overall level of debt remains low but it is expected to rise fast over the medium term, which will increase vulnerabilities to changes in sentiment. Financing needs are increasing, which could lead to liquidity stress. Alternative stress tests also suggest moderate debt sustainability risks. Lower growth and a deterioration of the external position due to global geopolitical uncertainty and EU CBAM could also lead to risks to debt dynamics in the medium term. Domestic financing is driven mainly by banks (and insurance companies to a much lesser extent), has become costlier in recent years, and may continue to increase if global financial conditions tighten, despite some relief from the recent ECB policy rate easing cycle. Long-run debt risks are moderate, driven by aging-related expenditures, especially if migration continues for the young working age population.

Source: Fund staff.

Note: The risk of sovereign stress is a broader concept than debt sustainability. Unsustainable debt can only be resolved through exceptional measures (such as debt restructuring). In contrast, a sovereign can face stress without its debt necessarily being unsustainable, and there can be various measures—that do not involve a debt restructuring—to remedy such a situation, such as fiscal adjustment and new financing.

1/ The near-term assessment is not applicable in cases where there is a disbursing IMF arrangement. In surveillance-only cases or in cases with precautionary IMF arrangements, the near-term assessment is performed but not published.

2/ A debt sustainability assessment is optional for surveillance-only cases and mandatory in cases where there is a Fund arrangement. The mechanical signal of the debt sustainability assessment is deleted before publication. In surveillance-only cases or cases with IMF arrangements with normal access, the qualifier indicating probability of sustainable debt ("with high probability" or "but not with high probability") is deleted before publication.

Annex V. Figure 2. Debt Coverage and Disclosures

1. Debt coverage in the DSA: 1/

CG	GG	NFPS	CPS	Other	Comments
	✓ (chosen)				

1a. If central government, are non-central government entities insignificant? n.a.

2. Subsectors included in the chosen coverage in (1) above:

Sector		Subsectors captured in the baseline	Inclusion	Comments
CPS / NFPS / GG: expected / CG	1	Budgetary central government	Yes	
CPS / NFPS / GG: expected / CG	2	Extra budgetary funds (EBFs)	No	Not applicable
CPS / NFPS / GG: expected / CG	3	Social security funds (SSFs)	No	
CPS / NFPS / GG: expected	4	State governments	Yes	
CPS / NFPS / GG: expected	5	Local governments	Yes	
CPS / NFPS	6	Public nonfinancial corporations	Yes	
CPS	7	Central bank	No	
CPS	8	Other public financial corporations	No	

3. Instrument coverage:

Currency & deposits	Loans	Debt securities	Oth acct. payable 2/	IPSGSs 3/
chosen coverage	chosen coverage	chosen coverage	Missing from recommended coverage	Missing from recommended coverage

4. Accounting principles:

Basis of recording		Valuation of debt stock		
Non-cash basis 4/	Cash basis	Nominal value 5/	Face value 6/	Market value 7/
	chosen	chosen		

5. Debt consolidation across sectors:

Consolidated	Non-consolidated
	chosen

Color code: chosen coverage | Missing from recommended coverage | Not applicable

Reporting on Intra-Government Debt Holdings

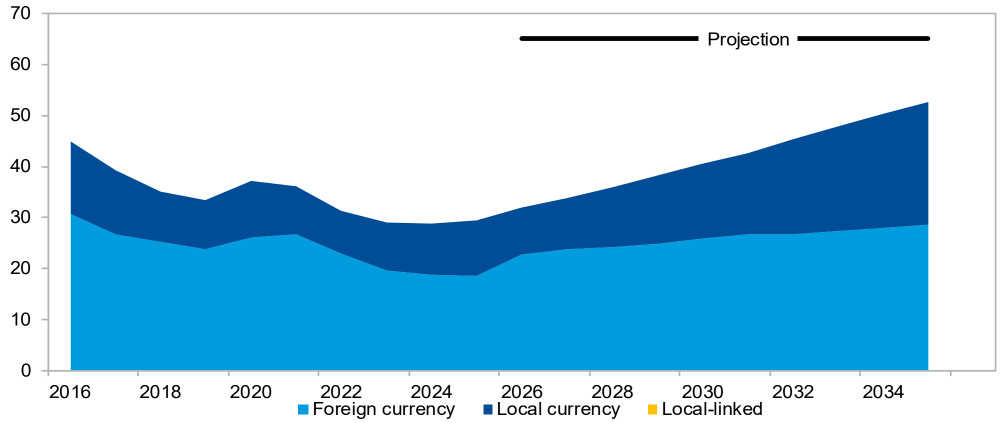
Sector		Issuer \ Holder	Budget. central govt	Extra-budget. funds (EBFs)	Social security funds (SSFs)	State govt.	Local govt.	Nonfin. pub. corp.	Central bank	Oth. pub. fin corp	Total
CPS / NFPS / GG: expected / CG	1	Budget. central govt									0
CPS / NFPS / GG: expected / CG	2	Extra-budget. funds									0
CPS / NFPS / GG: expected / CG	3	Social security funds									0
CPS / NFPS / GG: expected	4	State govt.									0
CPS / NFPS / GG: expected	5	Local govt.									0
CPS / NFPS	6	Nonfin pub. corp.									0
CPS	7	Central bank									0
CPS	8	Oth. pub. fin. corp									0
		Total	0	0	0	0	0	0	0	0	0

1/ CG=Central government; GG=General government; NFPS=Nonfinancial public sector; PS=Public sector.
2/ Stock of arrears could be used as a proxy in the absence of accrual data on other accounts payable.
3/ Insurance, Pension, and Standardized Guarantee Schemes, typically including government employee pension liabilities.
4/ Includes accrual recording, commitment basis, due for payment, etc.
5/ Nominal value at any moment in time is the amount the debtor owes to the creditor. It reflects the value of the instrument at creation and subsequent economic flows (such as transactions, exchange rate, and other valuation changes other than market price changes, and other volume changes).
6/ The face value of a debt instrument is the undiscounted amount of principal to be paid at (or before) maturity.
7/ Market value of debt instruments is the value as if they were acquired in market transactions on the balance sheet reporting date (reference date). Only traded debt securities have observed market values.

Commentary: The coverage in this SRDSA is for the general government and includes local and state government debt. SOEs' debt guaranteed by the central government is also included. We use CBBH data which also includes some SOE debt not guaranteed by the state. We add the SDR allocation to the CBBH data which does not report it. The FBIH data includes domestic debt for state and municipal domestic debt and data for the FBIH highway company. Local government debt in the RS is not provided but estimated by staff.

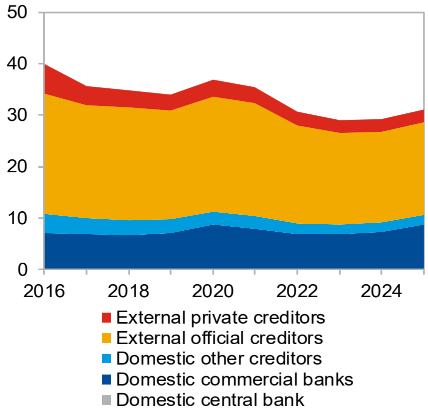
Annex V. Figure 3. Public Debt Structure Indicators

Debt by Currency (Percent of GDP)



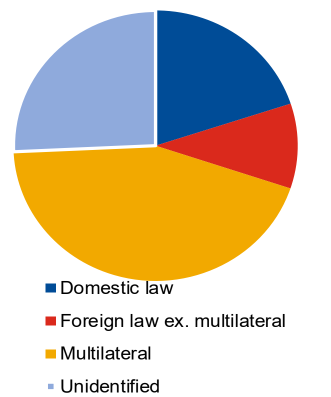
Note: The perimeter shown is general government.

Public Debt by Holder (Percent of GDP)



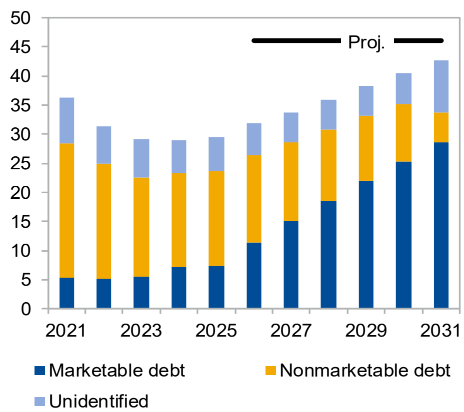
Note: The perimeter shown is general government.

Public Debt by Governing Law, 2025 (Percent)



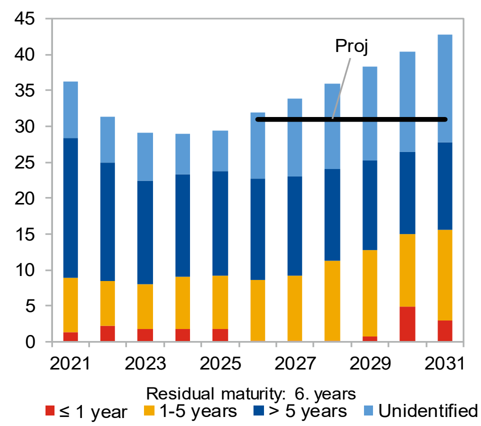
Note: The perimeter shown is general government.

Debt by Instruments (Percent of GDP)



Note: The perimeter shown is general government.

Public Debt by Maturity (Percent of GDP)



Note: The perimeter shown is general government.

Commentary: Debt-to-GDP ratio is expected to increase in the medium term to over 42 percent, and reach more than 52 percent over the long run. External debt is expected to be driven by official creditors, Eurobond issuances on both entities, and bilateral loans in the RS. Potential new IFI financing in the area of climate projects, the EU Growth Plan, and improved access to international markets might increase the trajectory of external debt in the future.

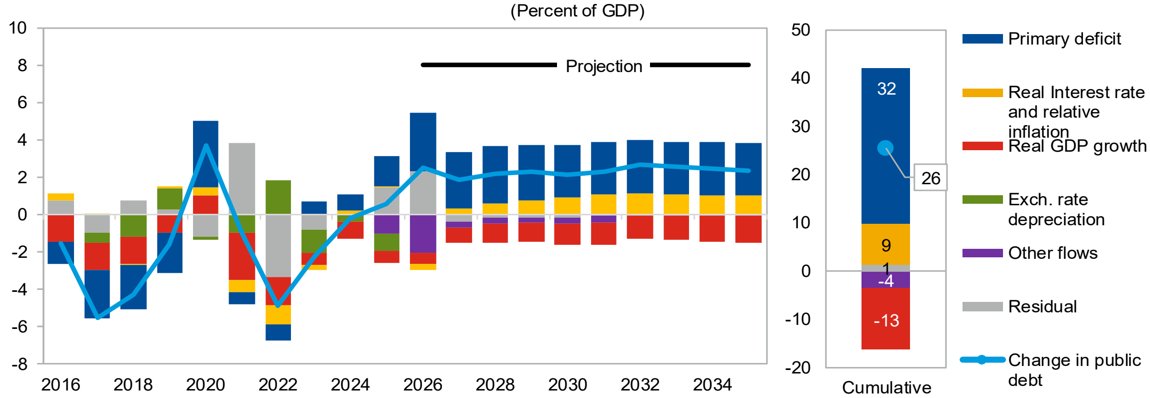
Annex V. Figure 4. Baseline Scenario

(Percent of GDP unless indicated otherwise)

	Actual		Medium-term projection						Extended projection			
	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
Public debt	28.9	29.4	32.0	33.8	36.0	38.3	40.4	42.7	45.4	47.9	50.4	52.7
Change in public debt	-0.2	0.6	2.5	1.8	2.2	2.3	2.1	2.3	2.7	2.5	2.4	2.3
Contribution of identified flows	-0.2	-0.9	0.2	2.2	2.4	2.5	2.3	2.3	2.7	2.6	2.5	2.4
Primary deficit	0.9	1.6	3.2	3.1	3.1	3.0	2.8	2.8	2.8	2.8	2.8	2.8
Noninterest revenues	41.3	42.8	42.5	42.7	42.7	42.8	42.8	42.8	42.8	42.8	42.8	42.8
Noninterest expenditures	42.2	44.4	45.7	45.7	45.8	45.7	45.6	45.6	45.6	45.6	45.6	45.6
Automatic debt dynamics	-1.1	-1.4	-0.9	-0.5	-0.4	-0.3	-0.2	-0.1	-0.1	-0.2	-0.3	-0.4
Real interest rate and relative inflation	0.2	0.1	-0.3	0.3	0.6	0.8	0.9	1.1	1.1	1.1	1.0	1.0
Real interest rate	-0.2	-0.1	-1.0	-0.1	0.4	0.6	0.7	0.9	1.0	0.9	0.9	0.8
Relative inflation	0.4	0.1	0.6	0.4	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Real growth rate	-0.9	-0.6	-0.6	-0.8	-1.0	-1.0	-1.1	-1.2	-1.2	-1.3	-1.4	-1.5
Real exchange rate	-0.4	-0.9	…	…	…	…	…	…	…	…	…	…
Other identified flows	0.0	-1.0	-2.0	-0.3	-0.3	-0.2	-0.3	-0.4	0.0	0.0	0.0	0.0
Contingent liabilities	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 transactions	0.0	-1.0	-2.0	-0.3	-0.3	-0.2	-0.3	-0.4	0.0	0.0	0.0	0.0
Contribution of residual	0.0	1.4	2.3	-0.3	-0.2	-0.2	-0.2	0.0	0.0	0.0	0.0	0.0
Gross financing needs	1.0	1.3	7.3	7.7	8.0	8.8	9.8	14.4	10.8	11.8	12.8	14.5
of which: debt service	0.1	-0.3	4.2	4.7	4.9	5.8	7.0	11.6	8.0	9.0	10.0	11.6
Local currency	1.5	0.9	1.7	1.9	2.1	2.9	4.0	4.8	4.6	5.5	6.1	6.6
Foreign currency	-1.4	-1.2	2.4	2.7	2.9	2.9	3.0	6.8	3.5	3.5	3.9	5.0
Memo:												
Real GDP growth (percent)	3.2	2.1	2.0	2.7	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0
Inflation (GDP deflator; percent)	4.3	3.0	5.8	3.9	2.9	2.8	2.8	2.8	2.8	2.8	2.8	2.8
Nominal GDP growth (percent)	7.7	5.2	7.9	6.7	6.0	5.9	5.9	5.6	5.6	5.6	5.6	5.6
Effective interest rate (percent)	3.7	2.8	2.3	3.5	4.1	4.5	4.8	5.1	5.1	4.9	4.7	4.5

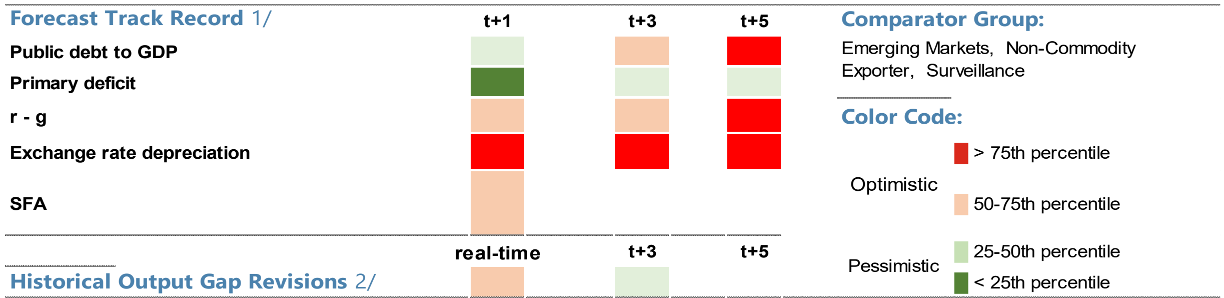
Contribution to Change in Public Debt

(Percent of GDP)

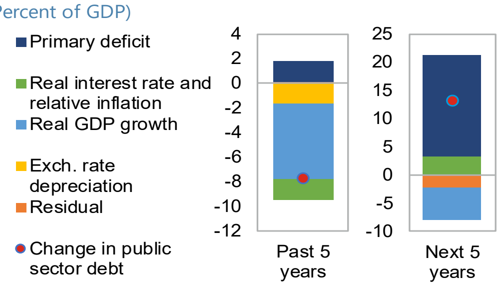


Staff commentary: In 2025, the decreasing trend in debt-to-GDP ratios that started in the aftermath of the COVID-19 crisis has been interrrupted. Debt ratios are expect to increase in 2026, breaching the 30 percent of GDP threshold. The continuation of recent expansionary fiscal policy is expected to further increase the debt level over the medium term, to above 42 percent in the outer years and over 52 percent by 2035. Higher current spending will continue to weigh on entity budgets and staff projections do not foresee a return to surplus in the medium term. Debt dynamics over the projection horizon are driven by primary deficits and the real interest rate and relative inflation. The two entities showed diverging fiscal paths in previous years, but recently they have both faced increasing financing pressures. Both entities are planning large debt issuances this year, from both domestic and external sources, including Eurobond issuances of €750M in RS and €800M in FBiH.

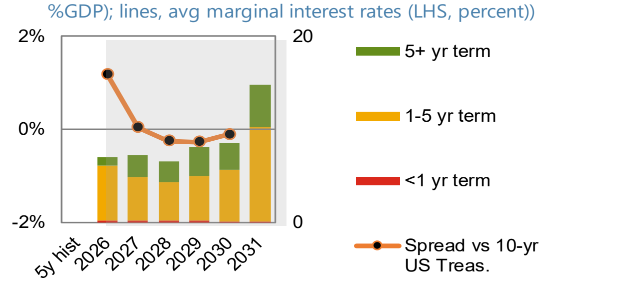
Annex V. Figure 5. Realism of Baseline Assumptions



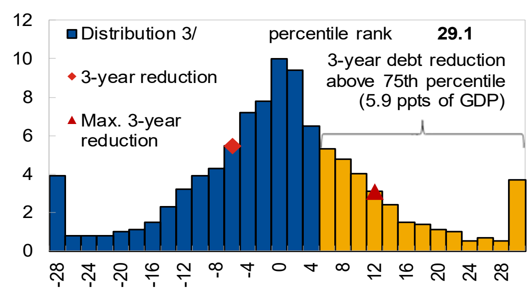
Public Debt Creating Flows
(Percent of GDP)



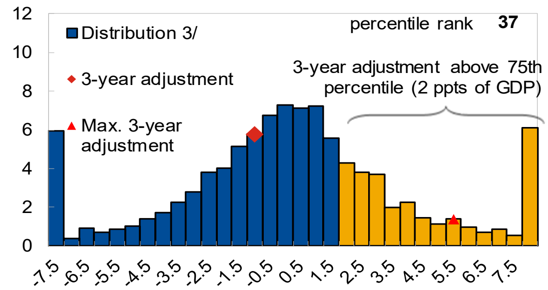
Bond Issuances (bars, debt issuances (RHS, %GDP); lines, avg marginal interest rates (LHS, percent))



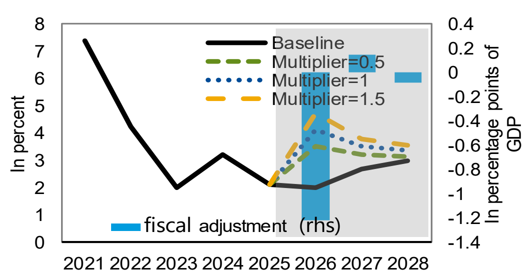
3-Year Debt Reduction
(Percent of GDP)



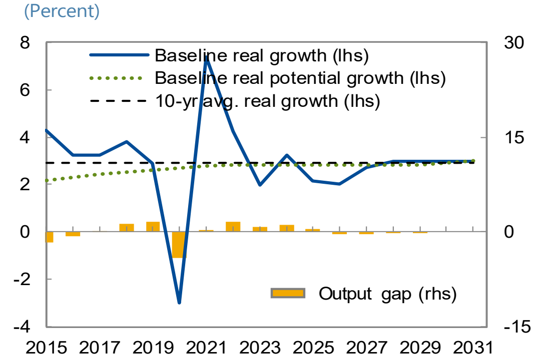
3-Year Adjustment in Cyclically-Adjusted Primary Balance (Percent of GDP)



Fiscal Adjustment and Possible Growth Paths
(lines, real growth using multiplier (LHS); bars, fiscal adj. (RHS))



Real GDP Growth
(Percent)



Commentary: Realism analysis does not trigger major concerns. The forecast record is reasonable in the near term. GDP projections are in line with recent averages and those implied with fiscal multipliers. We assume Eurobond issuances in 2026 and though 2031.

Source : IMF Staff.

1/ Projections made in the October and April WEO vintage.

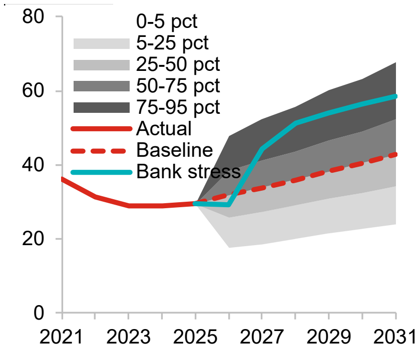
2/ Calculated as the percentile rank of the country's output gap revisions (defined as the difference between real time/period ahead estimates).

3/ Data cover annual observations from 1990 to 2019 for MAC advanced and emerging economies. Percent of sample on vertical axis.

Annex V. Figure 6. Medium-Term Risk Assessment

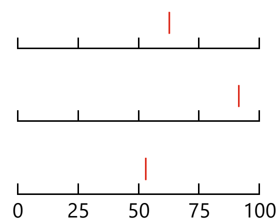
	Value	Contrib 1/	Percentile in peer group 2/

Final Fanchart (Percent of GDP)



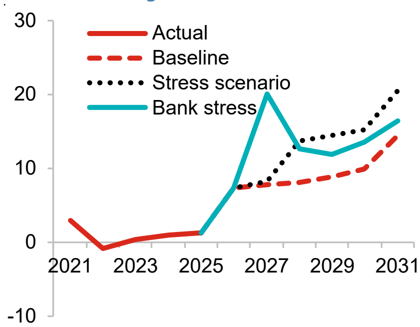
Debt fanchart module

	Value	Contrib 1/
Fanchart width *(percent of GDP)*	43.6	0.6
Probability of debt non-stabilization *(percent)*	100.0	0.8
Terminal debt-to-GDP x institutions index	31.7	0.7



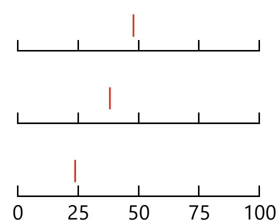
Debt fanchart index (DFI)		2.2
Risk signal: 3/		**High**

Gross Financing Needs (Percent of GDP)



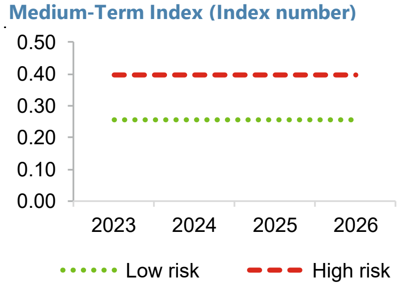
Gross financing needs (GFN) module

	Value	Contrib 1/
Average baseline GFN *(percent of GDP)*	9.3	3.2
Banks' claims on the gen. govt *(pct bank assets)*	7.7	2.5
Chg. In banks' claims in stress *(pct banks' assets)*	4.6	1.5



GFN financeability index (GFI)		7.2
Risk signal: 4/		**Low**

Medium-Term Index (Index number)



Medium-term risk analysis

	Value	Weight	Contribution
Debt fanchart index (normalized)	0.5	0.5	0.2
GFN finaceability index (normalized)	0.1	0.5	0.1
Medium-term index	0.3		
Risk signal: 5/	**Moderate**		
Final assessment:	**Moderate**		

Prob. of missed crisis, 2026-2031, if stress not predicted: 18.2 pct.
Prob. of false alarms, 2026-2031, if stress predicted: 26.1 pct.

The fanchart analysis estimates risks to be high overall, including from a banking stress scenario, in which financing needs would rise considerably. In that secenario, especially in the initial period, and debt-to-GDP ratio would spike in the first few years before coming down to settle in the medium-term at a significantly higher level than the baseline. The risk signal to GFN is low, although baseline GFNs steadily increase throughout the projection period, and not stabilizing in the outer years.

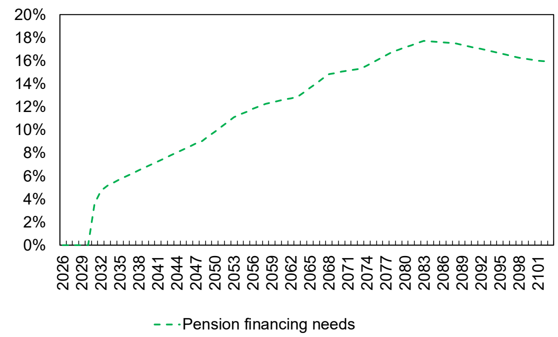
Source: IMF staff estimates and projections.
1/ See Annex IV of IMF, 2022, Staff Guidance Note on the Sovereign Risk and Debt Sustainability Framework for details on index calculation.
2/ The comparison group is emerging market, non-commodity exporting countries, with Fund-supported programs.
3/ The signal is low risk if the DFI is below 1.13; high risk if the DFI is above 2.08; and otherwise, it is moderate risk.
4/ The signal is low risk if the GFI is below 7.6; high risk if the DFI is above 17.9; and otherwise, it is moderate risk.
5/ The signal is low risk if the GFI is below 0.26; high risk if the DFI is above 0.40; and otherwise, it is moderate risk.

Annex V. Figure 7. Long-term Risk Analysis

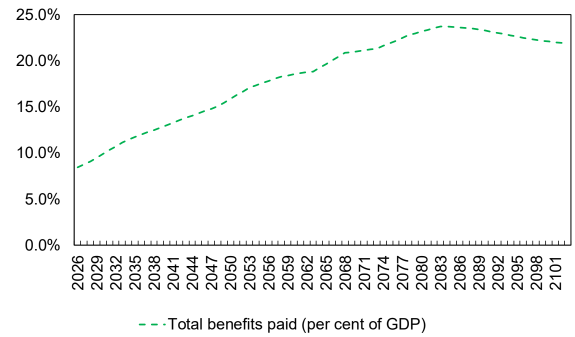
Demographics: Pension

Permanent adjustment needed in the pension system (pp of GDP per year)	To keep pension assets positive for:		
	30 years	50 years	Until 2100
	6.62%	9.60%	12.17%

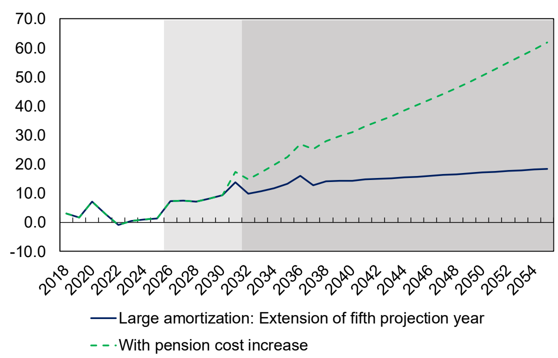
Pension Financing Needs



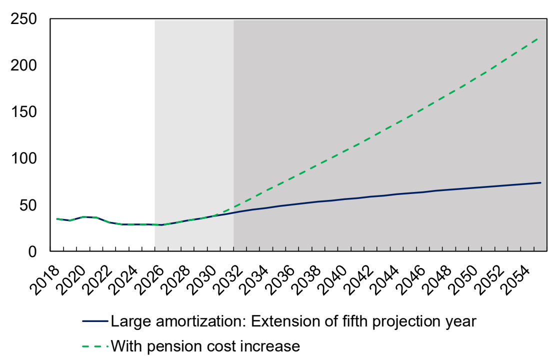
Total Benefits Paid



GFN-to-GDP Ratio

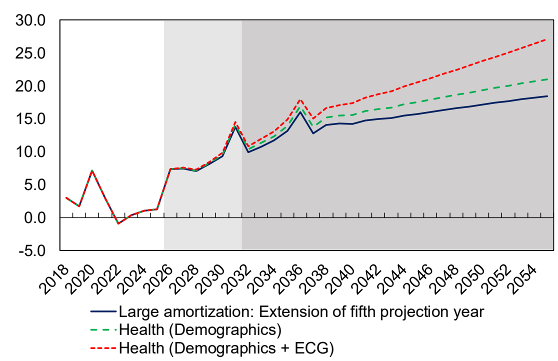


Total Public Debt-to-GDP Ratio

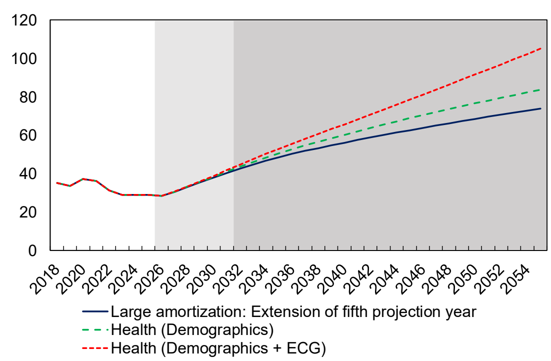


Demographics: Health

GFN-to-GDP Ratio



Total Public Debt-to-GDP Ratio



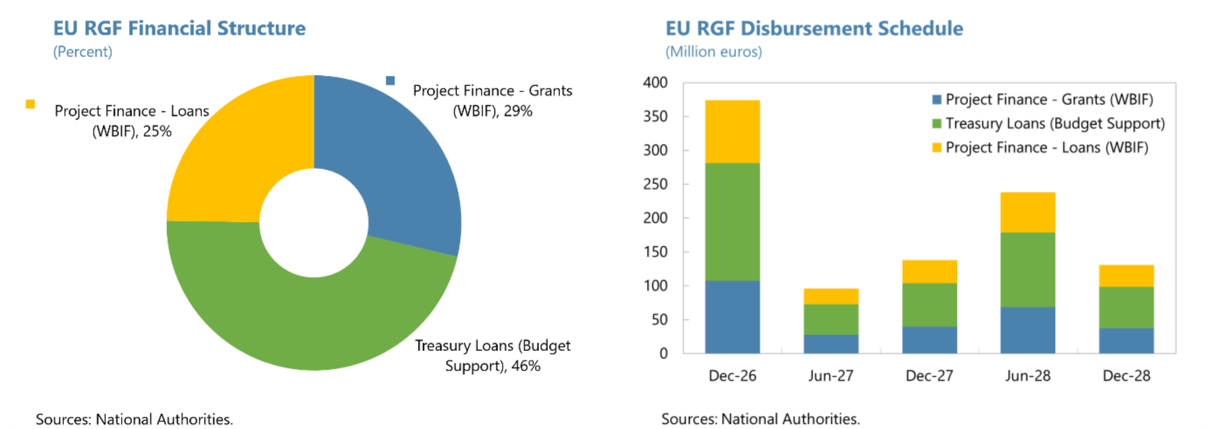
Annex VI. EU Growth Plan Scenario[1]

Staff evaluated the impact of the EU Growth Plan (EUGP) by tracking associated financing and its effects on aggregate demand, potential output, and public finances. Implementing a subset of the most feasible reforms could raise near-term growth by about 0.2 percent per year, while long-term effects may increase potential GDP growth by ½ percentage point above baseline. Under full implementation, potential growth could reach 4 percent. A sustained increase of 0.5 ppt. in per-capita growth would shorten the time needed to converge to EU income levels by roughly 20 years.

A. Introduction

1. **In late 2025, the EU approved €976.6 million for BiH under the Reform and Growth Facility (RGF).** Disbursements depend on verified progress in a four-pillar reform agenda covering green/digital, private sector, human capital, and rule of law, with 113 timed steps. Five disbursements are scheduled semi-annually through 2028, including a one-year grace period; missed steps may reduce or forfeit payouts after EU review. The EUGP envelope consists of investment support (53.5 percent grants/loans) and budget support (46.5 percent). Loans follow EU terms, and BiH can request up to 7 percent (€68.3 million) as pre-financing (Figure 1).

Annex VI. Figure 1. EU RGF Structure and Disbursements



2. **Staff estimated the GDP impact of EUGP using a two-step approach.** Near-term effects over 2026–29 are derived from a bottom-up assessment of the most likely implementable reforms, with demand driven by associated financing and spending. From 2029 onward, long-term supply-side effects operate through higher capital accumulation, productivity gains, increased labor force participation, and lower structural unemployment. With per-capita income at about 35 percent of the EU average and baseline growth of 3 percent (EU: 1.5 percent), convergence would take 70 years; a sustained 0.5 ppt. increase in growth would shorten this horizon by nearly 20 years.

[1] Prepared by Estefania Cohn Bech, Carlos de Resende, Adrian Music, and Ian Stuart (all EUR).

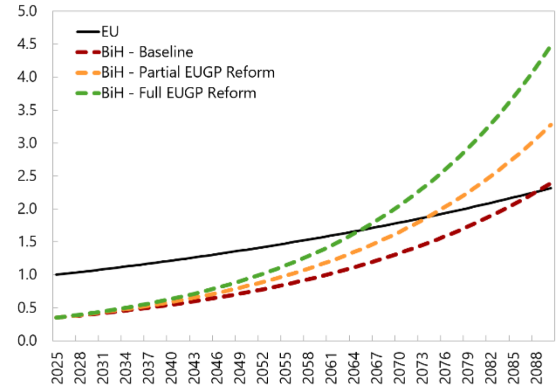
B. Reform Scenario

3. **Considering political challenges associated with reforms, staff selected about half (53 steps out of 113) of the EUGP reform package as the most likely implementable reforms.** An upper-bound scenario, in which all reforms are assumed to be implemented, is discussed later. For the near-term analysis, staff used the following assumptions (Figure 2):

- Almost all selected reforms can be implemented within existing baselines, implying no upfront costs. Upon verified completion (typically over 3 to 6 months), the EC releases funds as budget support loans and project financing (both grants and loans).
- Half of budget-support disbursements are spent on *new* government consumption, while all project financing disbursements are allocated to *new* infrastructure projects, with 75 percent execution ratio (based on 2023 PIMA under-execution estimates). There is a 6-month delay between receiving disbursements and actual spending.
- The positive shock to total public (current and capital) spending affects real GDP through a standard fiscal multiplier that accounts for leakages through imports and income taxes.

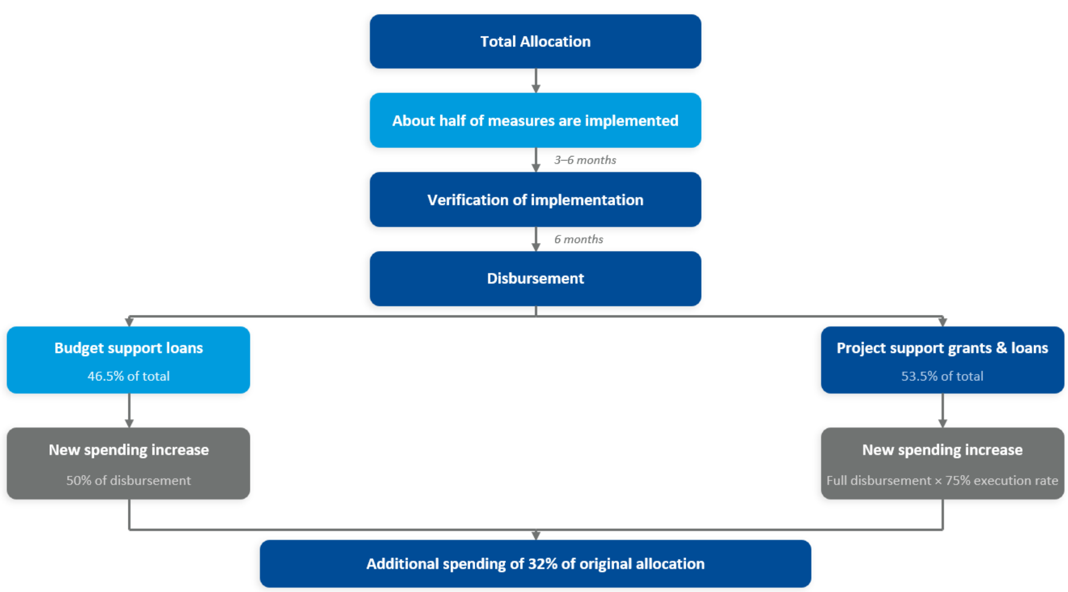
Annex VI. Figure 2. GDP Catch Up with the EU Under Different Scenarios

(Percent)



Source: IMF staff simulations.

Annex VI. Figure 3. EUGP Disbursement Mechanism and Spending Impact



Source: IMF staff illustration.

Annex VI. Box 1. Estimating the Longer-Term Effects of the EUGP

The pillars of the EUGP— green and digital transition, private sector development and business environment reforms, human capital development, and fundamentals/rule of law—align closely to areas identified in the literature on structural reforms (e.g., Budina *et al* 2023), which provide impact estimates that are used as benchmarks (Table 1). They are also well represented in the 53 assessed as most likely implementable EUGP reforms, while other reform areas may see slower progress, including SOE restructuring, services liberalization, institutional reform of education and labor market systems, and judicial efficiency.

TFP gains are expected from SOE restructuring, services liberalization, education system reform, deeper competition, and judiciary effectiveness. **Labor participation gains** from feasible reforms are mainly from partial expansion of early childhood education and care, active labor market policies, reduced informality and digitalization lowering entry barriers, For the **NAIRU**, partial reforms produce modest improvements in matching efficiency, while comprehensive reforms result in stronger firm entry/exit, skills alignment, and reallocation. In mapping reforms to outcomes, staff adopt conservative mid-range available estimates (Table 1), consistent with the partial reform implementation. The full implementation scenario used the upper limit of estimates.

Annex VI. Box 1. Table 1. Scenario Assumptions

Parameter / Variable	Description	Calibration
Public investment conversion	WBIF financing → public GFCF	50 percent of loans and grants to WBIF
Government consumption conversion	Loans to Treasury → government consumption	100 percent of loans to the Treasury
Crowding-in of private investment	Public GFCF → private GFCF	0 percent
Marginal propensity to consume (c)	Private consumption (% GDP)	Private consumption / GDP = 0.67
Marginal propensity to import (m)	Fiscal multiplier, import leakages	Imports / GDP = 0.52
Marginal income tax rate (t)	Fiscal multiplier, fiscal leakages	Direct Taxes / GDP = 0.21
Implied fiscal multiplier	$1 / [1 - c(1-t) + m]$	≈ 1.13, active during 2026-2028
Labor share	Cobb-Douglas production function parameter	Compensation of employees / GDP = 0.562
Start of structural effects	Supply-side reforms kick in	2029 onwards
TFP level	Governance, education, human capital, competition, digitalization, and rule-of-law reforms	+ 4.5 percent relative to baseline, over 10 years
Labor force participation	Labor market reforms	+ 1.25 pp relative to baseline, over 10 years
Structural unemployment (NAIRU)	Labor market reforms	- 0.75 pp

Source: IMF staff.

4. **Demand-side multiplier effects operate within the year of spending while supply-side effects cumulate over time.** Given the assumed schedule of disbursements and spending, short-term multiplier effects are exhausted by 2029, when supply-side impacts from structural reforms start to materialize (Box 1). Reforms will boost TFP growth through improved governance, competition, digitalization, energy, education, human capital, and rule of law. Labor-market reforms will gradually raise participation rates and reduce structural unemployment, whose convergence to the new reform-scenario steady-state are guided by estimated AR(1) processes using recent data.[2] The projected long-term labor force participation and unemployment rate paths were combined with UN projections for working-age population to underpin employment dynamics.[3] The combined effects of accelerated TFP growth, larger capital stock (K) inherited from the incremental investment

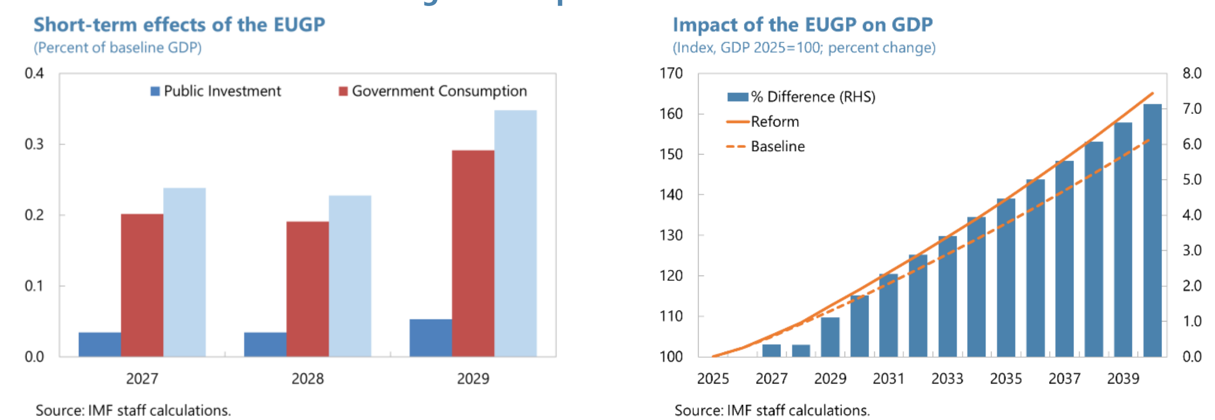
[2] Quarterly data from 2021Q1-2025Q4 on both labor force participation and unemployment was used. The estimated parameters were converted to annual frequency.

[3] Employment is projected as $L = N \times r \times (1-u)$, where N is the working-age population (i.e., 15 to 89 years-old), r is the labor force participation rate, and u is the unemployment rate.

(public and private) during the implementation phase, and higher employment (L) are mapped into increased real GDP (Y) using a Cobb-Douglas production function, $Y = TFP.K^{\alpha}L^{(1-\alpha)}$.

5. Over 2027-29, partial EUGP implementation generates a modest impact on government and private consumption, and investment (Figure 3). Given the assumptions, only 30 percent of the EUGP funding results in new expenditures (about 0.2 percent of GDP per year on average).[4] As a result, average GDP growth is about 0.2 ppts. higher than the baseline in 2027 and 2028. In 2029, the combination of demand-side and emerging supply-side effects boost real GDP growth to 3.8 percent—0.8 percent above the 3 percent baseline (Figure 2), before declining to about 3.5 percent over the long term.

Annex VI. Figure 4. Impact on GDP Level and Growth



6. With a projected 12 percent drop in the working-age population, EUGP reforms are expected to boost labor force participation and lower the NAIRU. Declines would be smaller in the labor force (from -10.9 percent to -8.7 percent) and employment (from -10.7 percent to -7.6 percent). Figure 3 displays the accumulated difference by 2040 between baseline and reform scenarios for key indicators. Employment would be 3.4 percent higher than baseline. Increased employment, TFP (+5 percent), capital stock (+0.3 percent), along with short-term output gains, result in 7.1 percent higher real GDP by 2040 compared to baseline. Of this, 0.3 pp stems from demand-side effects and 6.8 pp from structural reforms. Potential GDP growth would rise by ½ pp. Private investment and consumption would be 1.7 percent and 4.8 percent higher, respectively.

7. A full implementation scenario highlights the costs of inaction. Many reforms will be challenging given their complex nature (e.g., unbundling and certification of all electricity distribution and transmission system operators), the need for cross-government coordination (e.g., Youth Guarantee scheme scale-up), and political aspects (e.g., appointment of constitutional court judges). Notwithstanding, an illustrative upper-bound scenario assumes that (i) all EUGP reforms are completed in the same timeframe as in the likely implementation scenario, (ii) all (rather than 75 percent) EUGP project infrastructure funding is spent, and (iii) the mapping of reforms to supply-

[4] The 2027–29 effects on the fiscal deficit are minimal: higher spending is mostly offset by EUGP grant funding and higher revenue resulting from faster economic growth.

side outcomes use the upper bound (rather than the mid-range) of estimates from the literature (Table 1). While in the partial implementation case, steady-state TFP growth is 0.5 pp larger than in the baseline, under full implementation it rises to 1 pp. Similarly, long-term labor participation rates increase by 1.5 pp (versus 1.25 pp under partial implementation) and the NAIRU falls by 1 ppt. relative to baseline (rather than 0.75 pp). As a result, potential GDP growth rises to 4 percent over the long term, versus 3.5 percent in the partial implementation scenario.

8. Both partial and full implementation scenarios may understate the impact of EUGP reforms. The analysis does not account for potential crowding-in effects of public investment on private investment, which could boost both the short-term demand and long-term supply effects through a higher capital stock. It also excludes possible catalytic effects on financing from other IFIs, which could expand the overall resource envelope. In addition, gains in external competitiveness that could support net exports are not incorporated. Finally, the analysis does not capture complementarities across reforms: their effects are likely to be mutually reinforcing, generating nonlinear gains—particularly under full implementation, when such interactions would be stronger.

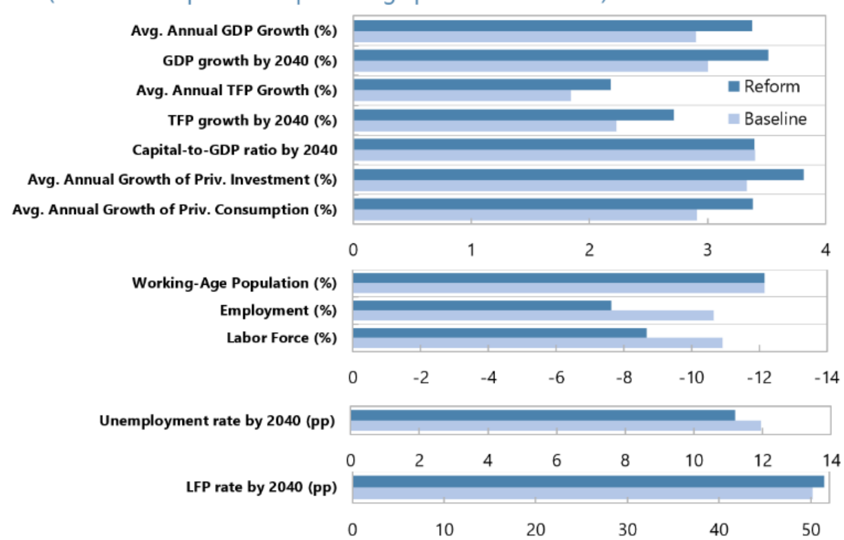
Annex VI. Figure 5. Comparison of Reform *vs* Baseline Scenarios

Reform Scenario by 2040

Indicator	Difference from Baseline
GDP level (%)	7.1
GDP growth (pp)	0.5
TFP level (%)	5.0
TFP growth (pp)	0.5
Capital Stock (%)	0.3
Private Investment (%)	1.7
Private Consumption (%)	4.7
Working-Age Populaiton (%)	0.0
Employment (%)	3.4
Labor Force (%)	2.5
Unemployment rate (pp)	-0.7
LFP rate (pp)	1.3

Comparison over 2025-2040

(Difference in percent or percentage points as indicated)



Source: IMF staff calculations.

Annex VII. Assessing Bosnia and Herzegovina Competitiveness[1]

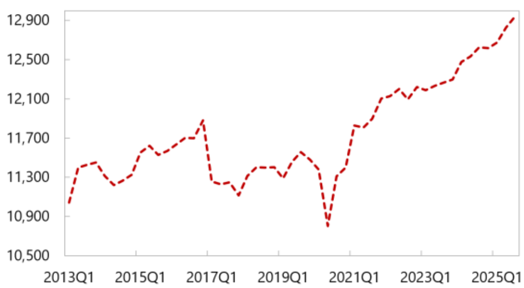
Despite continued GDP growth and productivity gains, external competitiveness shows signs of erosion. Industrial production, employment in tradable sectors, and exports as a share of GDP and of world exports have weakened. Unit labor costs have risen sharply, and the real effective exchange rate (REER) has increasingly exceeded levels consistent with total factor productivity (TFP) fundamentals.

A. Erosion of Competitiveness? Stylized Facts

1. Recent macroeconomic and external developments are consistent with weakening external competitiveness, such as the increase in relative domestic prices and costs. Despite strengthening labor productivity, unit labor costs have increased markedly since mid-2022, as wage growth has outpaced productivity gains (Figure 1). At the same time, the REER has appreciated, albeit by less than in most regional peers and key trading partners (Figure 2). For competitiveness, it is essential to understand whether observed exchange rate movements are consistent with underlying productivity fundamentals.

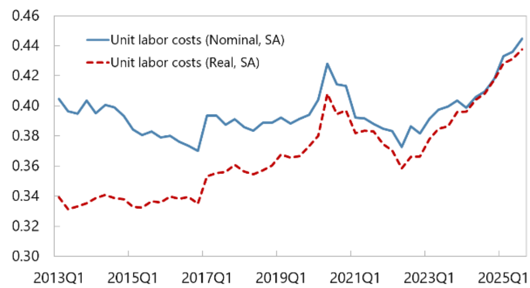
Annex VII. Figure 1. Labor Productivity and Unit Labor Costs

Labor Productivity
(Ratio; seasonally adjusted)



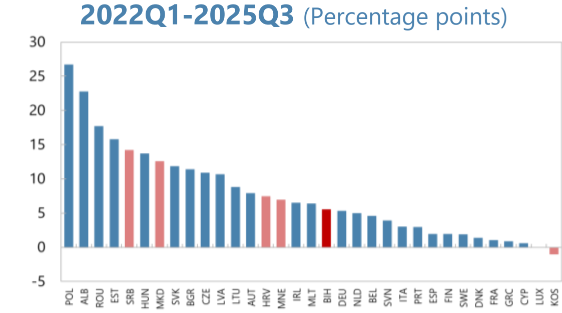
Sources: BHAS; Haver Analytics; and IMF staff calculations.
Note: Labor productivity is calculated by dividing real GDP and total employment, both seasonally adjusted.

Unit Labor Costs
(Ratio; based on total employment; seasonally adjusted)



Sources: BHAS; Haver Analytics; and IMF staff calculations.
Note: The ULC series were calculated by dividing real average gross wages and real labor productivity, both seasonally adjusted. Labor productivity is based on total employment.

Annex VII. Figure 2. Change in CPI-based REER, 2022Q1-2025Q3 (Percentage points)



Sources: IMF, STA Effective Exchange Rate database; and IMF staff calculations.
Note: Increase=REER appreciation (weaker price competitiveness). Light red columns show Croatia and Western Balkans, as main peers.

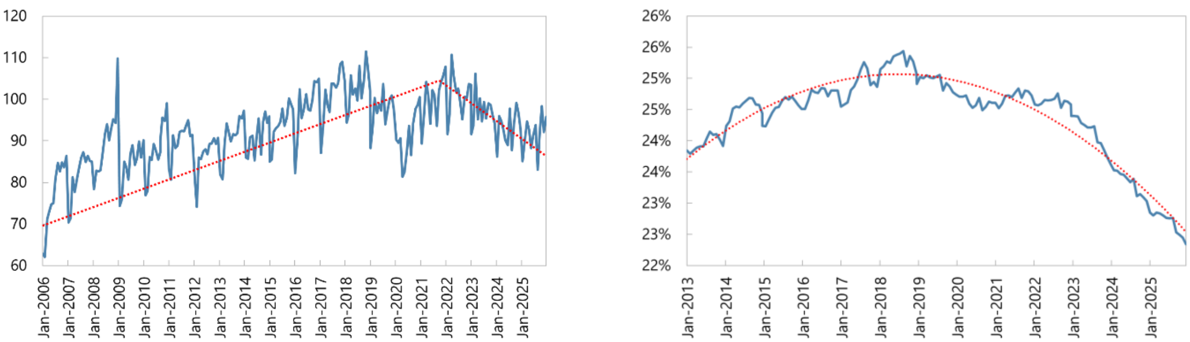
[1] Prepared by Estefania Cohn Bech, Carlos de Resende, Adrian Music, and Ian Stuart (all EUR).

2. Industrial production and employment in tradable sectors are declining. Despite sustained real GDP growth, industrial production has declined since 2021 and employment in tradable sectors—agriculture, mining, manufacturing, and electricity—has fallen steadily as a share of total employment (Figure 3). These trends suggest that recent growth has been driven by non-tradable activities, raising concerns about the competitiveness of the tradable sector.

Annex VII. Figure 3. Monthly Indicators of Industrial Production and Employment

Monthly Industrial Production Index (IPI)
(Index 2021=100)

Monthly Employment in Tradable Sectors
(Percent of total; Agriculture, Mining, and Manufacturing)



Sources: BHAS; and IMF staff calculations.

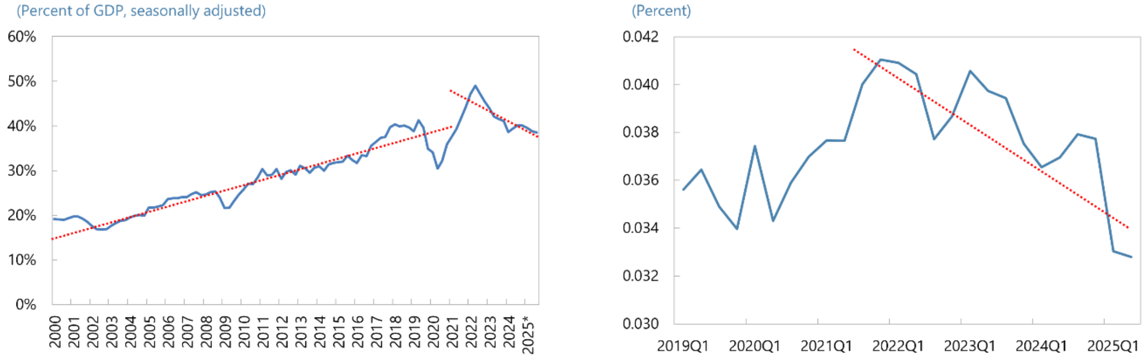
Sources: BHAS; and IMF staff calculations.

3. Export performance has deteriorated since 2022. Quarterly exports of goods and services as a share of GDP have declined, reversing post-pandemic gains (Figure 4, left). In parallel, BiH's world export share has trended downward since 2021 (Figure 4, right),[2] following a common pattern across Western Balkan economies and Croatia, suggesting shared regional shocks or similar structural challenges (Figure 5).[3] These developments raise the question of whether export losses primarily reflect adverse global trade conditions or an erosion of domestic competitiveness.

Annex VII. Figure 4. Exports Share to GDP and Market Export Share

Quarterly Exports of Goods and Services
(Percent of GDP, seasonally adjusted)

World Export Share
(Percent)



Sources: BHAS; and IMF staff calculations.

Sources: IMF, Direction of Trade database; and Haver Analytics.

[2] Except for a temporary rebound during the Covid-19 crisis, BiH's export share has trended down since 2017, with a marked decline since 2024.

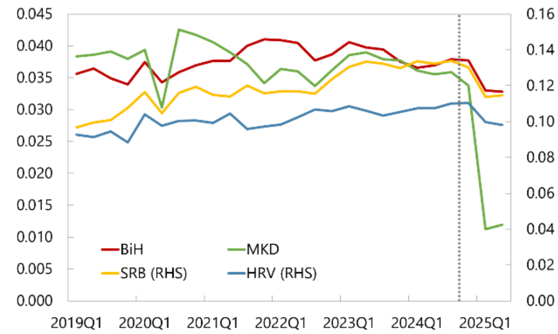
[3] Rolling correlations between export shares in BiH and other Western Balkan countries dramatically increased starting in 2024Q3, reaching 0.7 for both Serbia and Croatia, and 0.9 for North Macedonia.

B. Quantifying Competitiveness Pressures

4. Shift-share analysis of export-market shares can be used to assess whether recent export developments reflect deterioration of competitiveness. Consider an economy r exporting to a single partner p. Let X_r denote total exports of r, X_W represent total world exports, and X_{Wp} be the world exports to destination p. The export market share of r, $\theta_r = X_r/X_W$, can be expressed as $\theta_r = \theta_{rp} \times \delta_p$, where $\theta_{rp} = X_r/X_{Wp}$ is r's share of world exports to destination p, and $\delta_p = X_{Wp}/X_W$ is the share of p in global trade.

Annex VII. Figure 5. Bosnia and Herzegovina and Regional Peers: Exports Share

(Percent)

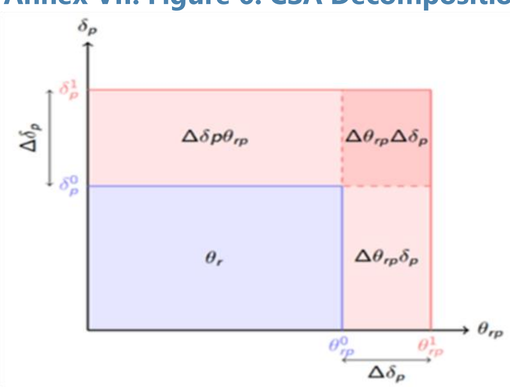


Sources: IMF, Direction of Trade database; and Haver Analytics.

5. This accounting identity highlights that changes in a country's overall export share reflect both intensive and extensive margins. The intensive margin or competitiveness effect is captured by changes in θ_{rp}—gains from increased penetration in each partner market, holding the partner's size constant—while the extensive margin or composition effect reflects changes in $\boldsymbol{\delta_p}$, holding competitiveness fixed. That is, $\boldsymbol{\Delta\theta_r} = \boldsymbol{\Delta\theta_{rp}\ \delta_p^0} + \boldsymbol{\Delta\delta_p\ \theta_{rp}^0} + \boldsymbol{\Delta\theta_{rp}\ \Delta\delta_p}$, where superscript $\mathbf{0}$ denotes initial-period values and $\boldsymbol{\Delta\theta_{rp}\ \Delta\delta_p}$ is an interaction, residual component (Figure 6). While subject to well-known limitations, the constant share analysis (CSA) remains a simple, useful, and intuitive tool for disentangling competitiveness from market-composition effects.

6. CSA results point to export losses mainly driven by the competitiveness effect since 2017. When generalized across multiple trading partners, the recent decline in BiH's export-market shares can be attributable to either weaker foreign demand—across all importers of BiH goods and services—or BiH-specific competitiveness factors that may reflect domestic cost, price, or structural conditions. Figure 7 (left chart) shows the CSA decomposition across three subperiods since late 2017. Except during Covid-19 period, BiH's export-market share has declined on average, mainly reflecting the competitiveness component rather than weaker external demand.

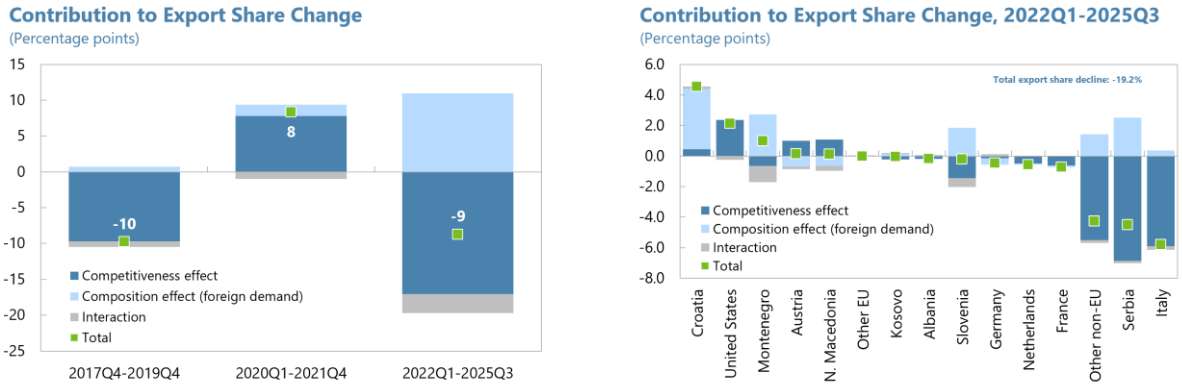
Annex VII. Figure 6. CSA Decomposition



Source: IMF staff illustration.

7. Competitiveness-driven export share losses are broadly distributed across trading partners. Losses are observed vis-à-vis Serbia and both EU and other non-EU partners and are offset by gains in only a few markets such as the U.S., Austria, North Macedonia, and Croatia (Figure 7, right).

Annex VII. Figure 7. CSA Decomposition



Sources: IMF, Direction of Trade Statistics; and IMF staff calculations.

Sources: IMF, Direction of Trade Statistics; and IMF staff calculations.

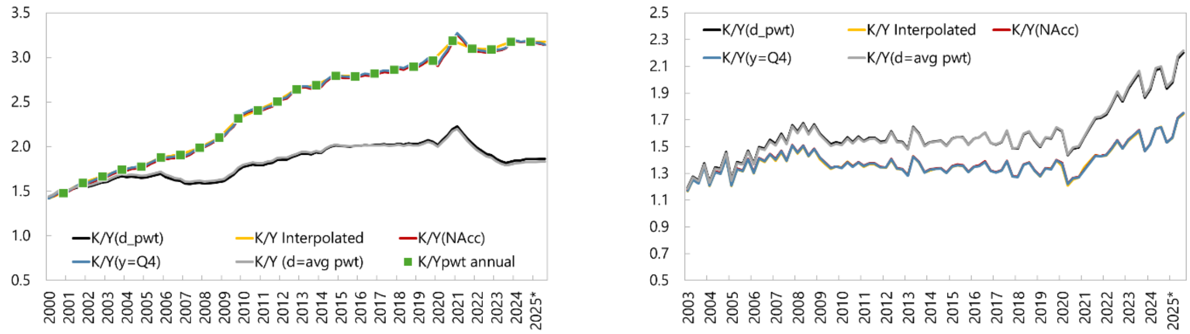
8. **The Balassa-Samuelson hypothesis (BSH) provides a natural framework to assess whether REER movements are justified by TFP developments, with implications for competitiveness.** Under BSH, the two series should be cointegrated, and deviations between the actual and TFP-consistent REER provide a simple measure of price competitiveness.

9. **To test for cointegration between REER and TFP, estimates of the stock of capital and TFP are needed.** TFP is estimated at quarterly frequency using measures of real GDP, employment, estimates of capital stock, and the labor share in gross value added. Given data limitations, alternative methods are employed to construct the quarterly capital stock series.[4] TFP is obtained by residual from a Cobb-Douglas production function: $ln\ a_t = ln\ y_t - (1-\alpha)\ ln\ k_t - \alpha\ ln\ l_t$, where a_t, y_t, k_t, and l_t denote TFP (estimated), real GDP (from national accounts), capital stock (estimated), and employment (from the BiH Agency for Statistics), respectively. The labour share was set at $\alpha = 0.562$, corresponding to the average share of compensation of employees to gross value. Figure 8 shows the implied capital-to-output ratios resulting from the alternative methods, which imply different estimates of TFP.

[4] The quarterly stock of capital was obtained from annual and quarterly investment (I_t) flows (i.e., gross fixed capital formation) and annual estimates of the stock of capital from the Penn Word Table (PWT), converted to constant local currency from PPP values. From the perpetual inventory equation, $k_t = (1-d_t)k_{t-1} + I_t$, we back out the implied annual depreciation rates (d_t) using annual k_t and I_t. For the quarterly series, we set the quarterly capital stock at fourth quarter of year t-1 equal to its annual value. Next, we recursively apply the perpetual inventory equation to quarterly investment flows and depreciation rates, keeping quarterly depreciation fixed within the year. Alternative methods are also tried: (1) setting k_t at the fourth quarter equal to the annual value; (2) using quarterly interpolation of the annual capital-to-output ratio and depreciation rates from the PWT; (3) a variant of (2) but with depreciation rates implied by annual stock of capital calculated from national accounts data on I_t; and (4) a variation of (3) with constant (average) annual depreciation rate of 6.1%.

Annex VII. Figure 8. Estimates of the Stock of Capital and TFP

Quarterly Capital-to-Output Ratio (Percent) | **Quarterly TFP** (Percent)



Sources: IMF staff calculations. | Sources: IMF staff calculations.

10. Across methodologies, the capital-to-output ratio peaks around the onset of Covid-19 and estimated TFP sharply increases, reflecting the post-pandemic recovery. After peaking, capital intensity either resumes its upward trend or experiences a prolonged decline and stabilization at lower levels. TFP estimates indicate weak or stagnant productivity growth between the global financial crisis and Covid-19, followed by a sustained improvement from 2020 onward.

11. Johansen cointegration tests confirm a stable long-run relationship between TFP and the REER (in logs). Several cointegration test specifications reject the null of no cointegration (Table 1), consistent with Balassa-Samuelson effects. The estimated cointegration relationship between these variables can be used to construct a counterfactual TFP-consistent REER benchmark.

Annex VII. Table 1. Bosnia and Herzegovina: Johansen Tests of Cointegration between REER and TFP

Rank Selection by Test and Domestic Case

	Deterministic Case							
Test Type	Case 1	Case 2	Case 3 JHJ	Case 3	Case 4 JHJ	Case 4	Case 5 JHJ	Case 5
Trace	0	0	0	0	0	0	1	1
Maex-Eige	0	0	0	0	1	1	1	1

Sources: IMF staff calculations.

Note: Rank selected at 0.05 level using critical values from MacKinnon-Haug-Michelis (1999).

Sample (adjusted): 2003Q4 2025Q3

Included observations: 88 after adjustments

Lags interval (in first differences): 1 to 2

Endogenous variables: REER TFP

Case 1: No deterministic terms.

Case 2: The cointegrating relationship includes a constant.

Case 3: (Johansen-Hendry-Juselius): Cointegrating relationship includes a constant. Short-run dynamics include a constant.

Case 3: Short-run dynamics include a constant.

Case 4 (Johansen-Hendry-Juselius): The cointegrating relationship includes a constant and trend. The short-run dynamics include a constant.

Case 4: The cointegrating relationship includes a trend. Short-run dynamics include a constant.

Case 5 (Johansen-Hendry-Juselius): Both the cointegrating relationship and short-run dynamics **include a constant and trend.**

Case 5: Short-run dynamics include a constant and trend.

12. Recent deviations between actual and TFP-consistent REER point to renewed competitiveness pressures. Positive (negative) gaps between actual and TFP-consistent REER indicate competitive disadvantage (edge). Figure 9 shows that between 2020 and end-2023, the REER exceeded its TFP-consistent level 86 percent of the time, indicating REER overvaluation beyond what can be justified by TFP gains. A real depreciation—following the faster disinflation relative to trading partners—turned the gap negative during 2023Q4–2025Q1, temporarily restoring some competitiveness edge. However, competitiveness erosion has re-emerged since mid-2024.

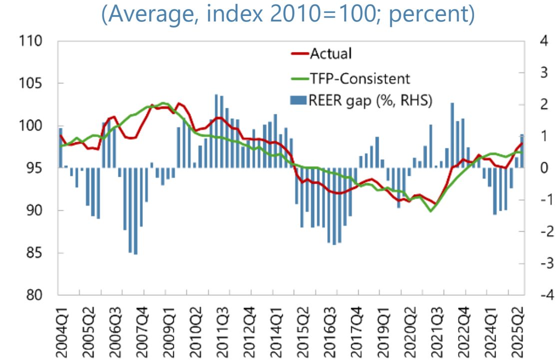
C. Conclusions and Policy Implications

13. The evidence points to a recent erosion of external competitiveness in BiH. Despite productivity gains, tradable-sector activity has declined, export performance deteriorated—largely due to competitiveness rather than weak foreign demand—and labor cost pressures have intensified. Exchange rate dynamics have also more recently diverged from total factor productivity fundamentals. Implementation of EU CBAM from 2026 poses an additional risk to BiH's exports, further eroding competitiveness.

14. The findings underscore the need for a complementary policy mix that combines structural reforms with measures to contain domestic cost pressures. Strengthening productivity growth through structural reforms and improving the business environment in tradable sectors is essential to strengthening export capacity. These efforts should be accompanied by policies to broaden trade diversification, facilitate cross-border transactions, and support higher-value-added integration in supply chains. Safeguarding cost competitiveness will be critical to support export growth and enhancing external resilience over the medium term.

Annex VII. Figure 9. Actual and TFP-Consistent REER

(Average, index 2010=100; percent)



Sources: IMF Effective Exchange Rate database; and IMF staff calculations.

Annex VIII. Expenditure Benchmarking Analysis[1]

Public expenditure is elevated relative to peers and has become increasingly tilted toward current spending, while outcomes often fall short of what such spending levels would typically deliver.[2] Social benefits and the public sector wage bill dominate expenditure, creating significant budget rigidities and limiting space for more productive spending. Wage bill pressures have been driven by rising compensation, with public wages exceeding private sector levels and large allowances adding to costs.[3] More broadly, inefficiencies reflect weak targeting, fragmented service delivery, and extensive staffing. The analysis points to substantial scope for improving the composition and efficiency of spending while reallocating resources toward more growth-enhancing uses.

1. BiH's high and rising public spending, which continues to outpace revenues, is widening fiscal deficits (Figure 1). GG spending is estimated to have reached 45 percent of GDP in 2025, well above the EME average (34 percent) and the OECD levels (42 percent). After declining gradually from 2010, spending has increased sharply since 2022 (by 6 ppt of GDP) and is structurally elevated. As revenues have not kept pace, fiscal balances, which were broadly in surplus during 2015-22 (except during the COVID shock) have sharply deteriorated.

2. Spending composition is heavily skewed toward current expenditure. With current spending approaching 41 percent of GDP, BiH exceeds most peer economies. By contrast, public investment has declined substantially, falling below comparator groups. Although public investment (including capital transfers) has increased in recent years to 5.1 percent of GDP in 2025—above the OECD average—it is below some regional peers (Serbia, Hungary).

3. Within current expenditure, BiH allocates an exceptionally large share to social benefits. Social spending accounts for 21 percent of GDP, half of total spending. This makes social transfers the driver of the expenditure envelope and contributes to a highly rigid spending structure, limiting space for other priorities. Moreover, the second-largest spending category, the wage bill, stands at around 11 percent of GDP, above regional averages and adding further pressure to recurrent expenditure. Spending on goods and services (3.2 percent of GDP, or about 7 percent of total spending) and other current expenditure (0.9 percent of GDP) are low relative to EMDE-Europe peers. Taken together, this spending composition constrains the government's ability to respond flexibly to future shocks and evolving development needs.

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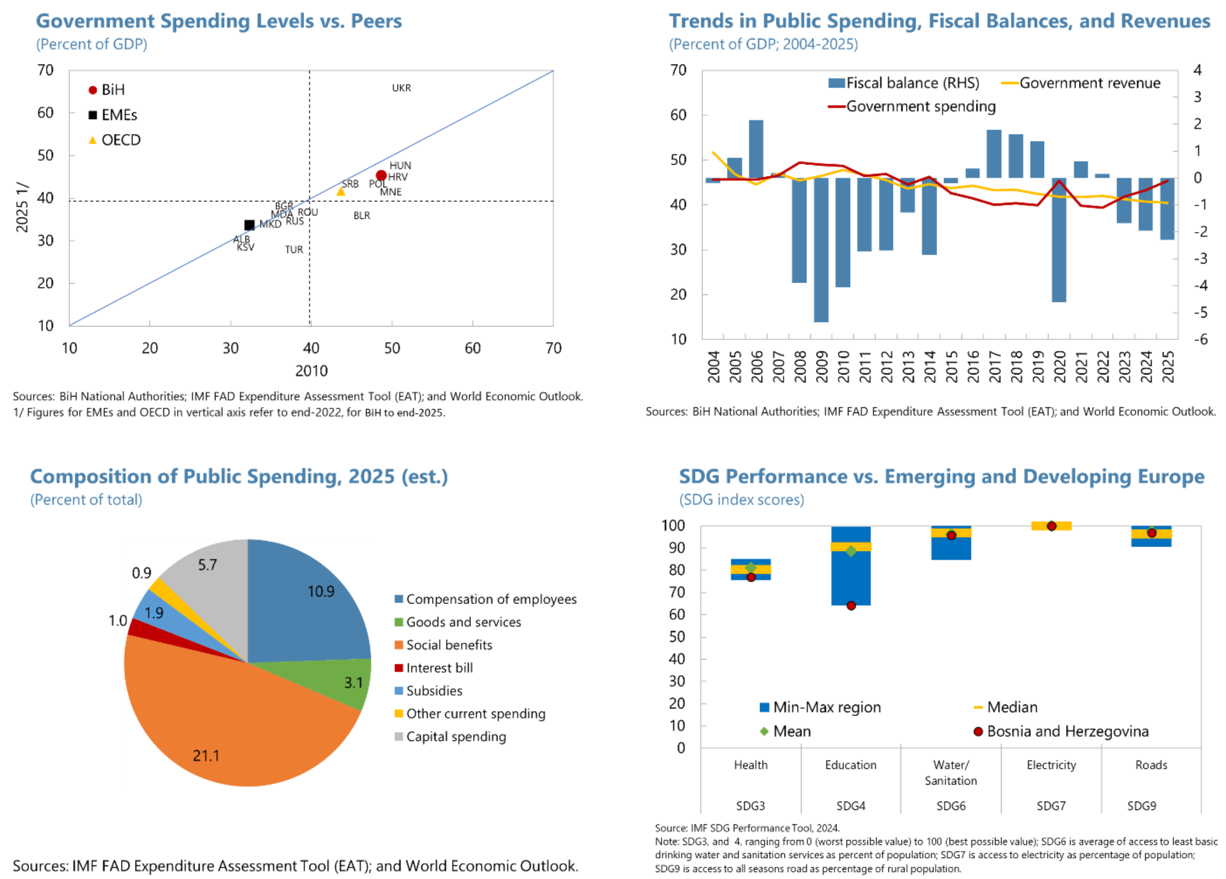
[1] Prepared by Bozena Radzewicz-Bak (FAD), Bobana Cegar (BiH Resident Representative Office) and Estefania Cohn Bech (EUR).

[2] The annex draws on the IMF FAD Expenditure Assessment Tool (EAT) and SDG performance tool to benchmark the level, composition, and efficiency of BiH's spending against Western Balkans and EMDE-Europe peers, and, where data permit, broader emerging market and OECD comparators. The wage bill analysis additionally uses entity-level data from statistical agencies and Ministries of Finance, supplemented by IMF staff calculations.

[3] Public sector is broadly defined here to include general government (GG) institutions, public corporations, and other public institutions (e.g. public health institutions) outside the GG perimeter.

4. High spending levels do not consistently translate into stronger SDG outcomes. BiH underperforms regional benchmarks across several SDG dimensions. It ranks near the bottom on health (SDG 3) and education (SDG 4), while performing around the regional median on access to electricity (SDG 7), roads (SDG 9), and water and sanitation (SDG 6). This gap between spending levels and outcomes motivates the category-by-category analysis below: in most areas, the key challenge is not the level of resources, but their allocation and efficiency of use.

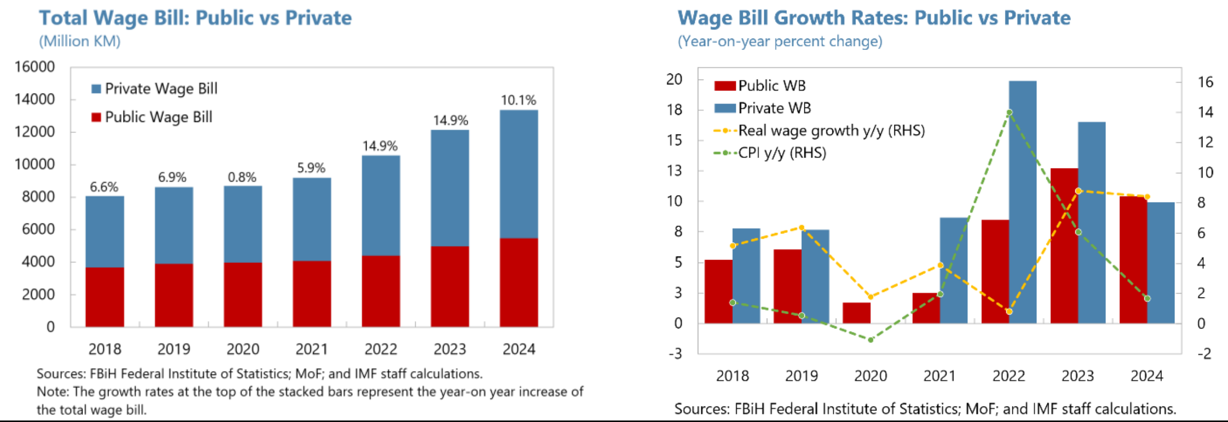
Annex VIII. Figure 1. Public Spending Levels, Trends, Composition, and Efficiency



5. The public sector is a major employer, and the wage bill is the second-largest spending category after social benefits. BiH's public sector wage-setting framework is fragmented and discretionary. Apart from modest seniority-based progression, wages are determined through administratively setting the wage base and job complexity coefficients, with outcomes shaped by union negotiations and annual budgets. Arrangements differ across jurisdictions: FBiH relies on annual negotiations without macro anchors; RS allows limited indexation and wage cuts in downturns; in Brčko District, the wage base is set annually within a statutory range of 65-70 percent of the average wage, explicitly anchored to fiscal sustainability. At the state level, base wages are linked, with a lag, to at least 50 percent of the average wage, though implementation is frequently delayed by late adoptions of annual budgets.

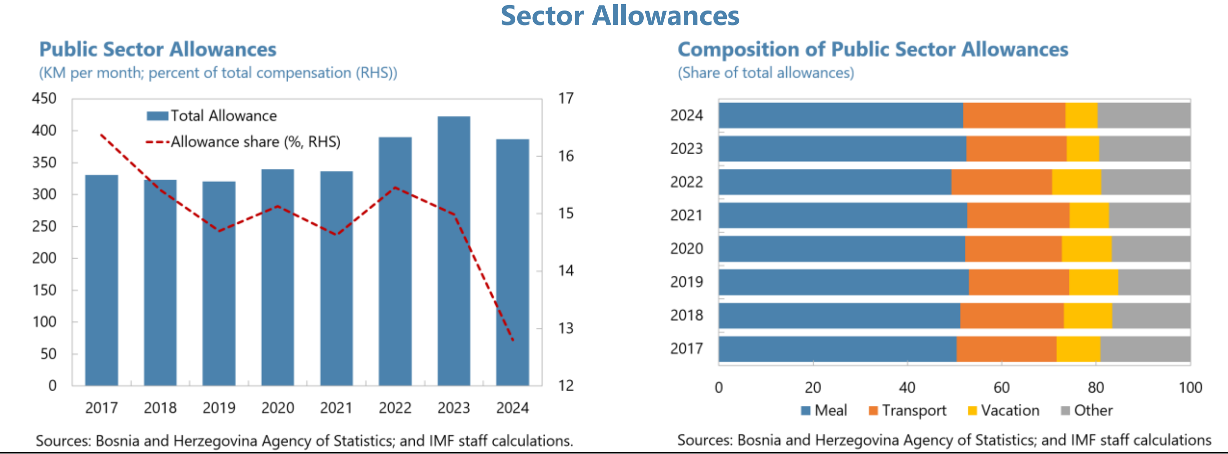
6. In FBiH, public sector wage growth has been driven by rising compensation rather than employment. Between 2017 and 2024, real wage spending increased by 24 percent while employment remained broadly unchanged (~172 thousand). Growth was moderate through 2022, averaging 1.4 percent in real terms, but accelerated to 7.7 percent in 2023–24 as inflation pressures eased and real wages recovered. As a result, the wage bill grew significantly faster than the economic activity. This reversed an earlier declining trend; the wage bill moved from 10.9 percent of GDP in 2017 to 9.6 percent in 2022 and 10.2 percent in 2024. While public wages have grown more slowly than private wages, they remain around 50 percent higher (Figure 2).

Annex VIII. Figure 2. Federation of Bosnia and Herzegovina: Size and Growth of Public vs Private Wage Spending



7. The public wage structure features a high but declining average public–private wage difference and moderate allowances. The average public–private wage difference narrowed from 66 to 50 percent during 2017-24, driven by faster private sector wage growth. While the wage difference is significant, it does not necessarily suggest overcompensation, as it is unadjusted for employee characteristics. Allowances declined from 16.4 to 12.8 percent of compensation, broadly in line with OECD benchmarks, but remain concentrated in meal (about half of the total) and transport allowances, reflecting the continued use of tax favored allowances as a substitute for base wage increases. Vacation bonuses fell from 10.5 percent in 2020 to 6.8 percent in 2024, while the residual "other" category, including discretionary top-ups, rose from 15.3 to 19.7 percent (Figure 3).

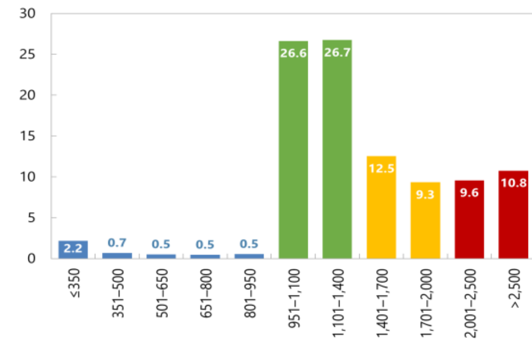
Annex VIII. Figure 3. Federation of Bosnia and Herzegovina: Wage Bill Structure: Public Sector Allowances



8. A compressed wage distribution may be fueling upward pressure on compensation. Employment is heavily concentrated in the middle of the pay scale, with the two central brackets accounting for just over half of public employment, while lower brackets are sparsely populated and higher brackets capture relatively small shares (Figure 4). This strong central clustering and thin lower tail limit progression options and may encourage upward wage drift within a narrow structure.

Annex VIII. Figure 4. Federation of Bosnia and Herzegovina: Distribution of Public Sector Wages by Bracket

(Percent of employment)



Sources: Bosnia and Herzegovina Agency of Statistics; and IMF staff calculations.

9. Public wage bill growth in RS has also been driven mainly by rising wages, with moderate employment increases. The real public sector wage bill rose by 35 percent between 2017 and 2025, while employment grew by 6.7 percent (from 92.3 to 98.5 thousand), indicating that higher real wages drove most of the increase. Real wage bill growth averaged 3.5 percent annually through 2021, lagging real GDP. The 2022 inflation shock (with CPI at 14 percent) compressed the real wage bill. From 2023 to 2025, real growth rebounded to an average of 6.2 percent. The wage bill declined from 17.1 percent of GDP in 2017 to 15.9 percent in 2024, before rising to 16.6 percent in 2025. As in FBiH, average public sector wages remained above private sector wages, by about 34 percent on average, and 23.4 percent more recently (Figure 5).

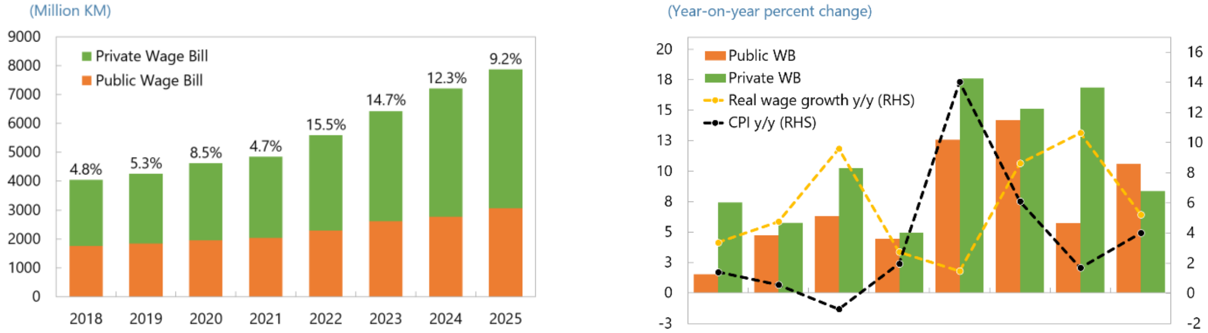
Annex VIII. Figure 5. Republika Srpska: Size and Growth of Public and Private Wage Spending

Total Wage Bill: Public vs Private

(Million KM)

Wage Bill Growth Rates: Public vs Private

(Year-on-year percent change)



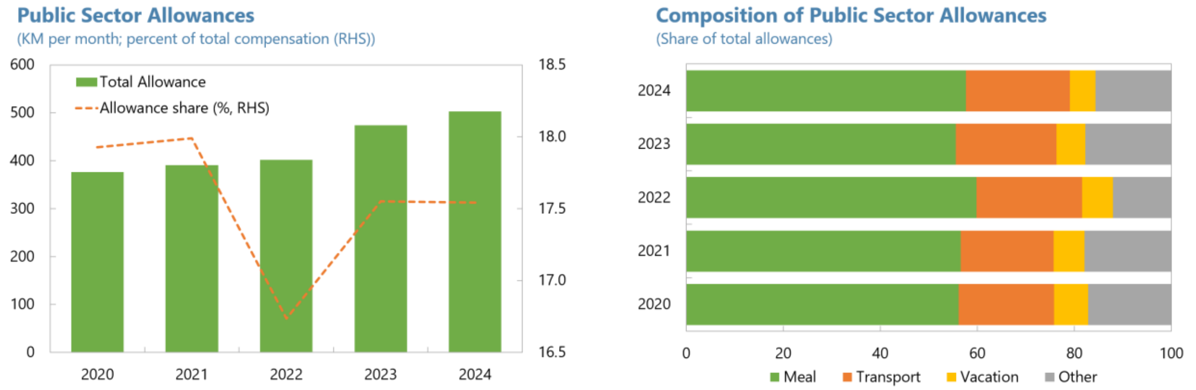
Sources: Institute of Statistics of Republika Srpska; MoF; and IMF staff calculations.
Note: The growth rates at the top of the stacked bars represent the year-on year increase of the total wage bill.

Sources: Institute of Statistics of Republika Srpska; MoF; and IMF staff calculations.

10. The average public–private wage difference remains positive, though declining, and allowances in RS are more rule based. The wage difference narrowed from 45 to 23 percent over 2017–25, reflecting stronger private sector wage growth. Allowances averaged 17.5 percent of monthly pay over 2020–24, with a temporary dip in 2022 reflecting faster base-wage adjustment to inflation. Meal allowances dominate (58 percent of total allowances), followed by transport

(21 percent), vacation bonuses (5 percent), and the residual "other" category (15.7 percent). The overall allowance share remains above the OECD benchmark range of 10-15 percent (Figure 6).

Annex VIII. Figure 6. Republika Srpska: Wage Bill Structure: Public Sector Allowances



Sources: Bosnia and Herzegovina Agency of Statistics; and IMF staff calculations.

Sources: Bosnia and Herzegovina Agency of Statistics; and IMF staff calculations

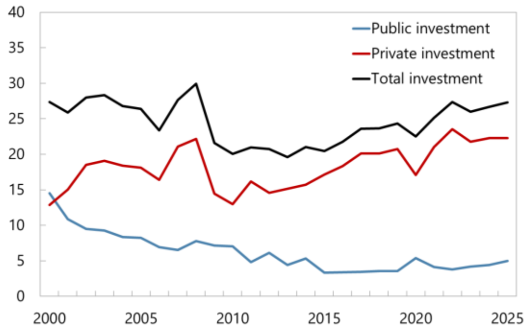
11. The distribution is similarly concentrated in RS but at a higher absolute pay level (March 2025 data). The middle BAM 1,401–2,000 bracket captures 42 percent of public employment and, together with the adjacent BAM 1,001–1,400 bracket, accounts for 72 percent of the workforce. As in FBiH, this clustering points to limited vertical progression and latent pressure for across-the-board increases.

12. The wage bill illustrates a broader pattern: rigid current spending crowds out higher-quality outlays. Just as compressed pay structures and sizable allowances lock in recurrent compensation costs, similar rigidities and weak spending efficiency recur across public investment, education, health, and social protection, each examined in turn below.

13. Public investment in BiH has declined markedly over the past two decades (Figure 7) and BiH ranks poorly on infrastructure quality. After exceeding 14 percent of GDP in the early 2000s, it fell steadily to below 4 percent of GDP over the past decade, while private investment recovered following the global financial crisis and now accounts for about 22 percent of GDP, becoming the main driver of overall capital formation. As a result, although total investment of around 27 percent of GDP remains broadly in line with EMDE-Europe peers, the public investment component is now near the lower end of the regional range. The main challenge, however, appears to be investment efficiency rather than the level of investment itself. Despite a comparatively large public capital stock, i.e., above the EMDE-Europe average, BiH performs poorly on infrastructure quality indicators relative to peers, particularly in ports, roads, and air transportation, where it ranks near the bottom of the distribution. Infrastructure quality in railroads and broader transport networks also requires improvement. This suggests that relatively high spending and accumulated capital stock have not translated into commensurate infrastructure outcomes. Consistent with this, the 2024 PIMA assessment found that BiH remains far from the public investment efficiency frontier, reflecting weaknesses in project selection, planning, execution, and maintenance. Strengthening public investment management and improving the quality of spending therefore appear critical.

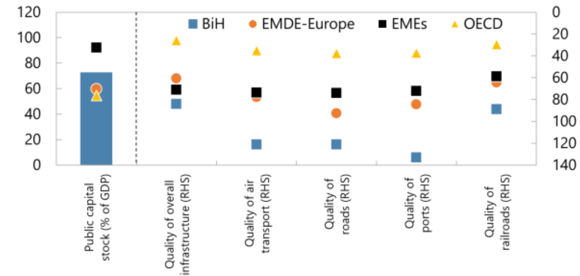
Annex VIII. Figure 7. Investment and Infrastructure Quality: Bosnia and Herzegovina vs. Peers

Evolution of Investment
(Percent of GDP)



Sources: BiH National Authorities; and IMF staff calculations.

Capital Stock and Infrastructure Quality 1/
(Percent of GDP and rank (RHS))

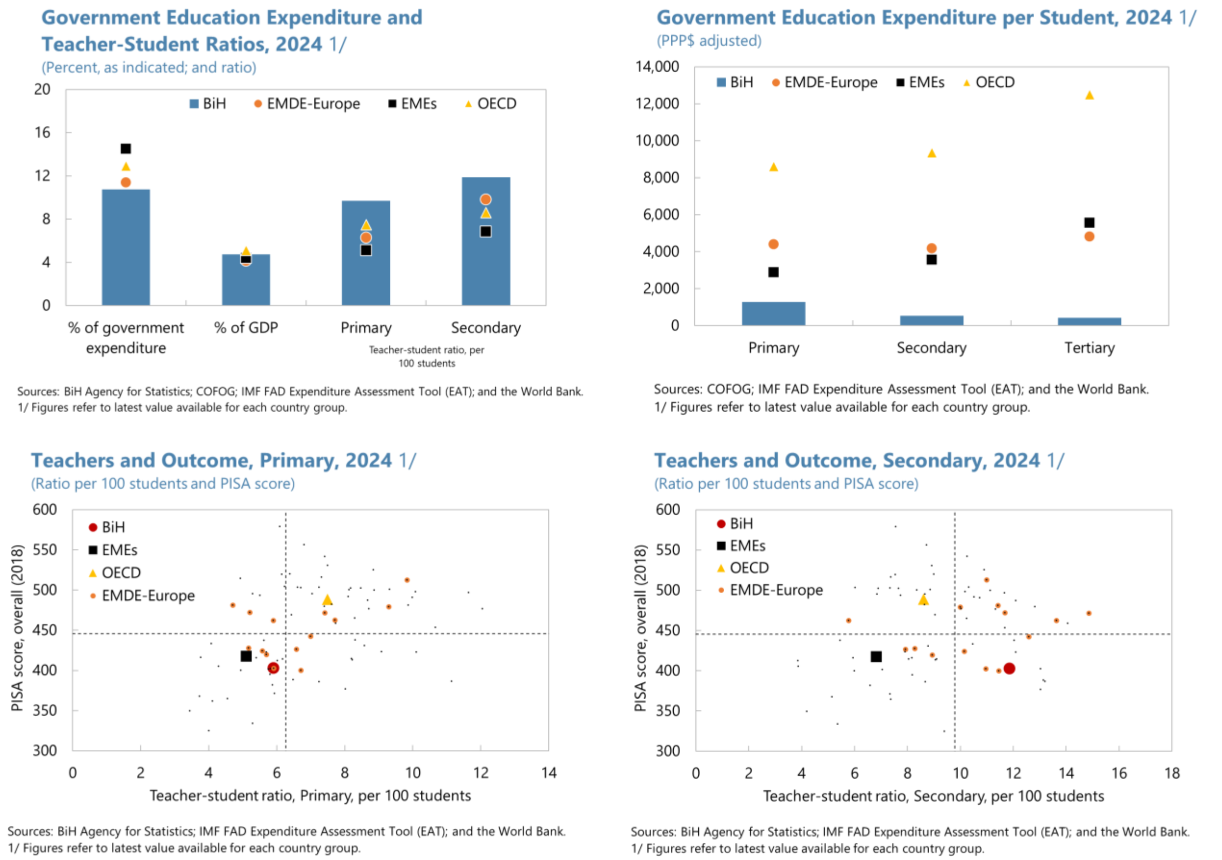


Sources: IMF Investment and Capital Stock Dataset; and World Economic Forum (2019), The Global Competitiveness Report 2019.
1/ Figures refer to latest value available for each country. For the quality indicators, the figures refer to 2018. These indicators reflect business executive's assessment of the overall quality of a country's infrastructure on a 1-7 scale, rescaled to go from 1 (best) to 144 (worst).

14. **Education spending in BiH is not low by international standards, but weak outcomes reflect how resources are deployed: relatively high aggregate spending coexists with very low spending per student because resources are absorbed by extensive staffing and fragmented delivery structures rather than by teaching.** Education expenditure amounted to 4.7 percent of GDP and 10.7 percent of total government spending, broadly comparable to EMDE-Europe peers and only moderately below OECD levels (Figure 8). Basic education indicators, including net enrollment rates and adult literacy, are also broadly in line with peer countries. This is evident in per-student spending: PPP-adjusted expenditure per student is markedly below peers across all education levels, at roughly US$1,300 in primary education, US$540 in secondary, and US$425 in tertiary education, far below EMDE-Europe and OECD benchmarks.[4] At the same time, teacher–student ratios are significantly above peer-country norms, suggesting that a large share of resources is absorbed by staffing costs. Teacher–student ratios stand at 9.7 in primary and 11.9 in secondary education, compared with OECD averages of about 7.5 and 8.6, respectively. This points to an education system characterized more by overstaffing and fragmented delivery structures than by insufficient overall funding. Learning outcomes remain weak as a result: the latest available PISA scores (2018) place BiH well below both the EMDE-Europe median and the OECD average, despite comparatively high teacher-to-student coverage. With staffing absorbing the bulk of the budget, too few resources reach teaching quality, teacher training, learning materials, and digital infrastructure.

[4] In 2024, spending per primary student in BiH amounted to about 30 percent of the EMDE-Europe average and 15 percent of the OECD average; in secondary education, to about 13 percent and 6 percent, respectively; and in tertiary education, to less than 10 percent and about 3 percent, respectively.

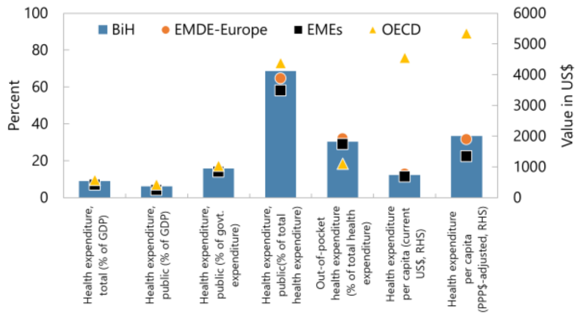
Annex VIII. Figure 8. Education Spending and Outcomes: Bosnia and Herzegovina vs. Peers



15. Health spending in BiH is relatively high by regional standards, yet outcomes and financial protection are comparatively weak (Figure 9). Total health expenditure amounted to about 9 percent of GDP in 2023, broadly in line with the OECD average and above the EMDE-Europe median (Figure 10). Public health expenditure, at 6 percent of GDP and 16 percent of total government spending, is also broadly comparable to peer-country benchmarks. But despite these spending levels, households continue to face high out-of-pocket (OOP) costs. OOP spending accounts for 30 percent of total health expenditure, i.e., well above the OECD average (around 18 percent) and at the upper end of the EMDE-Europe range. Such high private spending may suggest important gaps in the coverage, accessibility, and effectiveness of publicly financed healthcare services. Health outcomes and system capacity tell the same story. While life expectancy in BiH is broadly comparable to peers, the country underperforms the EMDE-Europe average in key health system indicators, including hospital beds, nurses and midwives, and physicians per capita. Combined with the high OOP burden, this indicates that relatively high health spending has not translated into system quality. IMF FAD analysis estimates that moving closer to the health-sector efficiency frontier could generate savings of about 2.6 ppt of GDP, while simultaneously improving healthcare access and outcomes.

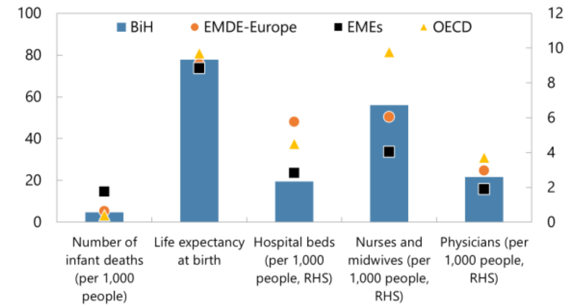
Annex VIII. Figure 9. Health Spending and Outcomes: Bosnia and Herzegovina vs. Peers

Health Expenditure Different Metrics, 2023 1/
(Percent and value in US$ (RHS))



Sources: The World Bank; and IMF FAD Expenditure Assessment Tool (EAT).
1/ Figures refer to latest value available for each country group.

Health Indicators and Health System Characteristics 1/
(Per 1,000 people and years)

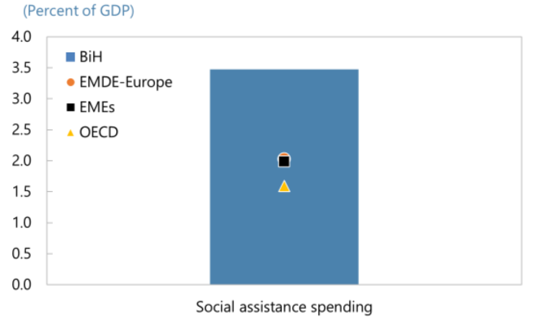


Sources: The World Bank; and IMF FAD Expenditure Assessment Tool (EAT).
1/ Figures refer to latest value available for each country group. For BiH, hospital beds and physicians refer to 2019, infant deaths refer to 2021, nurses and midwives refer to 2022, and life expectancy refers to 2023.

16. Social assistance spending in BiH is high by international standards. Social assistance spending amounts to about 3.5 percent of GDP, well above EME and OECD averages (Figure 10); because social protection on a comparable definition also includes social insurance and labor market programs, these benchmarks should be read as referring to social assistance. However, only 16.5 percent of benefits accrue to the poorest 20 percent of the population, while overall coverage of the poorest quintile remains low at around 23 percent. BiH therefore underperforms EMDE-Europe peers on both targeting accuracy and coverage efficiency. This largely reflects a fragmented, category-based system with limited means testing, including sizable veterans-related benefits that are often not linked to income or poverty status. This weak targeting also raises the fiscal cost of redistribution. Although BiH's income inequality, as measured by the Gini coefficient, is broadly comparable to EMDE-Europe peers, GDP per capita remains significantly lower. High social protection spending therefore imposes a substantial burden on public finances, while limited targeting reduces its effectiveness in alleviating poverty and vulnerability among the poorest households. Structural demographic pressures, including from a shrinking population, aging trends, and persistently high unemployment, are likely to intensify these fiscal pressures over time, underscoring the need for better-targeted and more sustainable social protection policies, while further increasing medium-term spending pressures.

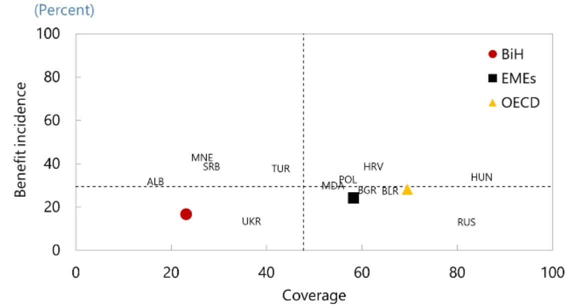
Annex VIII. Figure 10. Social Protection: Spending, Targeting, and Distributional Impact

Social Assistance Spending, 2024 1/
(Percent of GDP)



Sources: Central Bank of BiH; IMF FAD Expenditure Assessment Tool (EAT); World Economic Outlook; and Haver Analytics.
1/ Figures refer to latest value available for each country group.

Social Assistance Coverage and Benefit Share of Poorest 20 Percent 1/
(Percent)

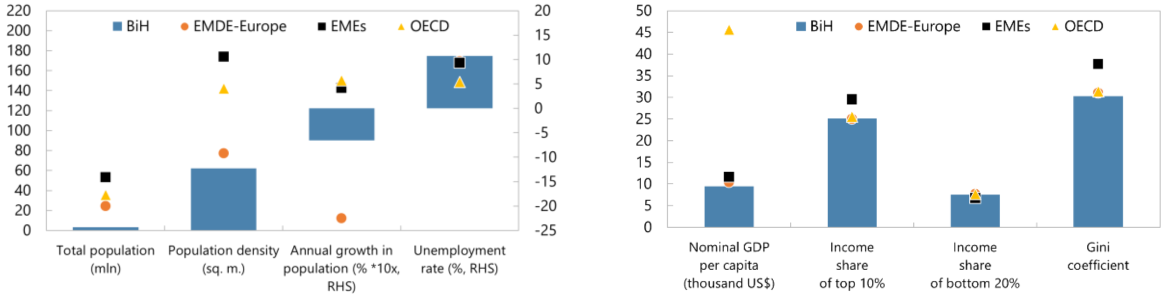


Sources: IMF FAD Expenditure Assessment Tool (EAT); and World Economic Outlook.
1/ Figures refer to latest value available for BiH and each country group.

Annex VIII. Figure 10. Social Protection: Spending, Targeting, and Distributional Impact
(Concluded)

Population Indicators, 2024 1/
(Million persons, people per sq. km, percent)

Income Distribution Indicators 1/
(Thousand US$, percent, and index)



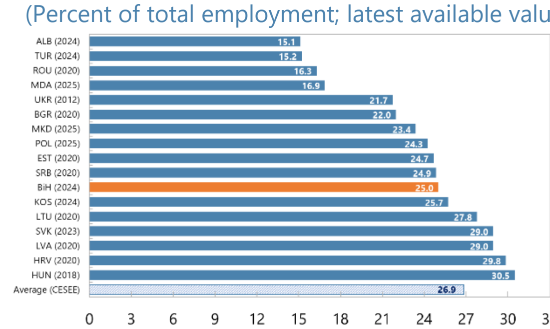
Sources: The World Bank; and IMF FAD Expenditure Assessment Tool (EAT).
1/ Figures refer to latest value available for each country group. For BiH, population density refers to 2023.

Sources: BiH Agency for Statistics; IMF FAD Expenditure Assessment Tool (EAT); and the World Bank.
1/ Figures refer to latest value available for each country group. For BiH, nominal GDP refers to 2025, income shares refer to 2011, and gini coefficient refers to 2021.

A. Policy Implications

17. Containing wage bill pressures requires coordinated, entity-level functional reviews. BiH has a relatively large share of public sector employment by international standards (Figure 11). A comprehensive functional review can help identify areas where operational inefficiencies could be reduced and inform reform directions. In addition, priorities include streamlining allowances (reducing discretionary elements in FBiH and aligning levels in RS with OECD benchmarks), reinforcing staffing restraint in core administrative functions while protecting health, education, and social services, addressing skills gaps through targeted hiring and training, and reviewing compressed pay structures to improve progression without increasing overall costs. Strong coordination across entities will be essential to prevent wage pressures from spreading and to sustain reforms.

Annex VIII. Figure 11. Public Sector Employment
(Percent of total employment; latest available value)



Sources: ILOSTAT - LFS database; and IMF staff calculations.
Note: The CESEE average is calculated across the countries shown using the latest available observation for each country.

18. Across all other categories, the findings point to a need to improve the composition, targeting, and efficiency of public expenditure. In public investment, implementing the PIMA recommendations, particularly through stronger project selection, multi-year investment planning, and better maintenance practices, could bring BiH closer to the efficiency frontier. In education, rationalizing teacher–student ratios over the medium term could free resources for learning materials, teacher training, and strengthening digital infrastructure, helping improve educational outcomes. In social protection, priorities should include pension reforms to contain long-term spending pressures, replacing category-based benefits with more means-tested support, and strengthening targeting systems to improve support for the poorest households. Taken together, these reforms could generate fiscal savings while creating space to enhance resilience to demographic and climate change, and support higher-quality, growth-enhancing public investment.

Annex IX. Governance and Anti-Corruption Reforms[1]

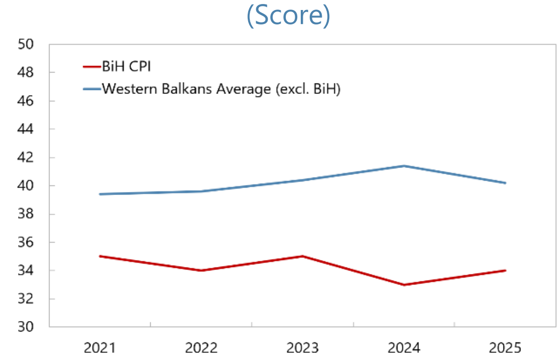
Governance and anti-corruption reforms have advanced, but implementation remains uneven. Despite improvements in the conflict-of-interest and asset declaration frameworks, corruption risks remain high, outcome indicators show limited gains, anti-corruption enforcement remains weak including in procurement oversight. Fragmentation, weak coordination, capacity constraints, and limited transparency hinder prevention, detection, and sanctioning of corruption. Reforms to combat corruption are central to the EU accession process and the priorities, in line with the EU Growth Plan, include enhancing anti-corruption and judicial institutions, improving and harmonizing asset declaration and conflict-of-interest systems, strengthening transparency and procurement oversight.

A. Context

1. **Corruption continues to weigh on Bosnia and Herzegovina (BiH)'s growth potential.** It weakens public administration, distorts competition, reduces revenue, and erodes trust. The European Commission (EC) 2025 Bosnia and Herzegovina Report links persistent rule-of-law, anti-corruption, public procurement, and judicial weaknesses to limited reform delivery, a weaker business environment, and slower progress toward EU integration. Corruption vulnerabilities are reinforced by a highly complex and fragmented government structure that undermines accountability, complicates reform implementation, and creates opportunities for inconsistent application of integrity, procurement, judicial, and enforcement rules. Weak judicial integrity and lack of transparency in appointments, promotions, discipline, and case outcomes undermine predictability in contract enforcement and property-rights protection.

2. **Governance indicators continue to point to limited progress**. BiH's corruption perception is high, with Transparency International (TI) reporting a score of 34 in the 2025 Corruption Perception Index, a slight recovery from its lowest score on record in 2024 but still well below the regional average. V-Dem's political corruption index also indicates elevated corruption risks and performance below the regional average. BiH's World Justice Project Rule of Law Index score remained broadly unchanged during 2023–25, consistent with persistent rule-of-law weaknesses. GRECO's recent compliance reporting and a 2025 report by the EC identify weak implementation of rule-of-law, anti-corruption, and public procurement reforms, which could weigh on progress toward EU integration. While significant

Annex IX. Figure 1. Corruption Perception Index (CPI)
(Score)



Sources: Transparency International, Corruption Perceptions Index (2021-2025); and IMF staff calculations.
Note: The Western Balkans average is an unweighted average of Albania, Kosovo, Montenegro, North Macedonia, and Serbia. The CPI is a perception-based index (0-100 scale).

[1] Prepared by Andrew de Castro (LEG).

reforms are in place, they remain incomplete and have not yet translated into sustained improvements in implementation, enforcement, or public accountability.

B. Progress Since 2023 Article IV Consultation Assessment

3. There has been some formal progress, but implementation has been uneven. The authorities adopted and published the 2024–28 Strategy for the Fight Against Corruption, adopted a new state-level conflict-of-interest law in 2024, established the Conflict-of-Interest Commission as a formally independent body, and expanded disclosure requirements for public officials. Amendments to the High Judicial and Prosecutorial Council (HJPC) law and related institutional steps have advanced the judicial integrity framework, including the operationalization of judicial asset declarations, while asset-declaration systems at the state and entity levels have continued to develop. Public procurement reform has advanced mainly through the 2024–28 Public Procurement Strategy and preparatory work on a new procurement law. However, public access to declarations remains partial, key bodies face operational capacity constraints, and evidence that these reforms have improved prevention, detection, verification, sanctions, or public accountability remains limited.

C. Anti-Corruption Prevention and Integrity Framework

4. The preventive anti-corruption framework has improved formally but remains fragmented and capacity constrained. The 2024–28 anti-corruption strategy is a critical first step in developing a nationwide roadmap toward stronger governance. However, entities and cantons still need to align their own strategies, funding, and monitoring arrangements, leaving the overall framework only partly in place. Gaps in implementation and limited compliance point to the absence of a coherent nationwide system. A clearer implementation roadmap—defining responsibilities, resources, and coordination across government levels—is needed.

5. The Agency for the Prevention of Corruption and Coordination of the Fight against Corruption (APIK) is tasked to coordinate anti-corruption efforts across levels of government but lacks the capacity to do so effectively. Its responsibilities include policy development, monitoring, integrity planning, and whistleblower protection, yet staffing is inadequate and leadership has been weakened by the prolonged vacancy of the director position. The absence of sanctioning powers further limits effectiveness, making outcomes dependent on cooperation from other institutions and follow-up by enforcement bodies.

6. A 2024 state-level conflict-of-interest law broadened coverage and established a dedicated Commission, but effectiveness is constrained by capacity and design weaknesses. The disclosure requirements now include appointed officials, but the Commission for Deciding on Conflicts of Interest—operational since 2025—faces capacity challenges. It is composed of seven part-time commissioners and must rely on APIK staff to receive and verify asset declarations. Its budget is channeled through APIK, exposing it to the same resource constraints. Crucially, proposed implementing regulations intended to address inefficiencies and operational roadblocks, including procedures for verifying asset declarations, have not yet been adopted, significantly weakening the Commission's effectiveness. In 2025, the Commission received over 400 asset declarations out of about 650 officials, mostly in paper form, but due to staffing shortages the verification was limited.

Declarations remain unpublished as the Commission lacks a website. While financial penalties are significant (KM 1,000- 20,000 approx. US$ 600-12,000), imposable punitive measures are limited, with no direct powers to dismiss or suspend from office. The framework is further undermined by the absence of effective oversight and lack of harmonization across entities and cantons.

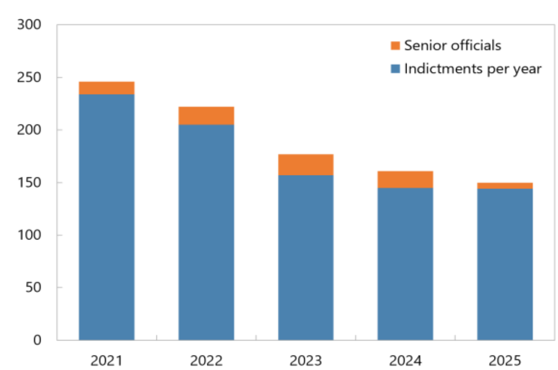
7. **BiH has a legal framework for whistleblower protection, but it is fragmented and weak in practice.** Protection varies across government levels, and implementation is limited, with few reports due to low trust and fear of retaliation. Stronger enforcement, harmonization, and alignment with EU standards are needed to make the system effective.

8. **The transparency framework has been updated but key weaknesses remain.** The new Law on Freedom of Access to Information at the state level, adopted in 2023, includes provisions on proactive disclosure of information, but concerns remain regarding the breadth of exceptions to disclosure, the lack of a sufficiently independent appeals mechanism, and limited sanctions for non-compliance. These weaknesses may reduce the effectiveness of the framework in promoting transparency and supporting public scrutiny of government decision-making.

D. Criminal Enforcement of Corruption Offenses

9. **The anti-corruption enforcement track record is weak relative to the scale of corruption risks.** External assessments (including from EC, GRECO, OSCE, and TI)[2] continue to identify limited final convictions in high-level corruption cases, inconsistent prosecution across jurisdictions, concerns regarding political influence and selective judicial follow-up, and sanctions that often fail to provide a credible deterrent. Available data also indicate that corruption indictments have been declining. Recent trends in acquittals, conviction rates, and sentencing further suggest that the effectiveness of the enforcement system is constrained.

Annex IX. Figure 2. Corruption Indictments
(Number)



Source: Transparency International.

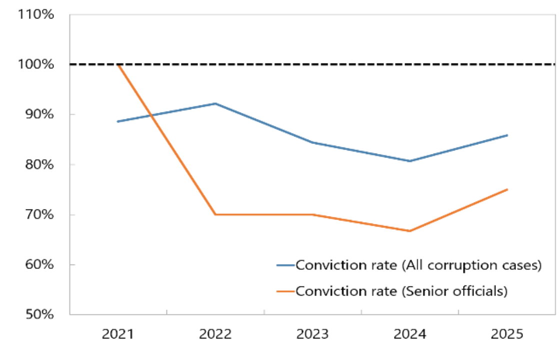
10. **Corruption indictments in 2025 were at their lowest level in four years while high-level investigations declined.** This can be attributed to an increased number of decisions not to open investigations. Prosecutors issued 699 decisions not to open investigations, an increase of 6.2 percent from the prior year, while the number of corruption investigations opened decreased. Indictments against senior officials have also been declining. Transparency is further weakened because indictments are not systematically published. Although access-to-information laws provide a legal basis for requesting documents, disclosure is uneven and subject to significant prosecutorial discretion. Recent practice at the state level includes publication of anonymized summaries of confirmed indictments, but full

[2] GRECO: Council of Europe/Group of States against Corruption; OSCE: Organization for Security and Cooperation in Europe.

indictments are generally not publicly available. This limits transparency of prosecutorial decision-making and weakens external scrutiny of corruption cases.

11. BiH's conviction rate for corruption cases is high. Court decisions have resulted in an average of 86 percent convictions in the past 5 years, although notably lower for senior officials. However, there is a downward trend in the number of convictions for corruption offenses since peaking in 2022. While convictions of senior officials tripled between 2021 and 2025, they remain limited in number—rising from 4 to 12 cases—falling short of a meaningful deterrent effect.

Annex IX. Figure 3. Conviction Rate
(Percent)

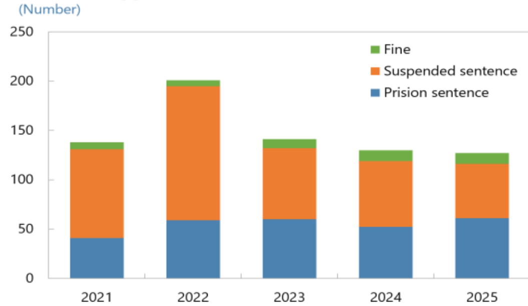


Source: Transparency International.

12. Where convictions are secured, sanctions remain lenient, with suspended sentences accounting for about half of all convictions. BiH law allows for suspended sentences, which postpone execution on the condition that the offender does not commit another offense during a probation period, meaning that individuals may be found guilty but avoid serving custodial sentences unless the conditions are breached. The frequent use of suspended sentences in corruption cases can weaken deterrence, limit accountability for misconduct by public officials, and contribute to perceptions of impunity, thereby undermining the credibility of enforcement efforts and the preventive effect of the criminal justice system. Stricter and more objective criteria for their use are needed to strengthen the anti-corruption framework.

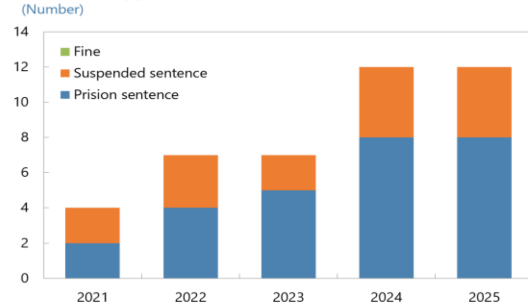
Annex IX. Figure 4. Corruption Convictions: Penalties and Outcomes

Penalties Applied in Convictions
(Number)



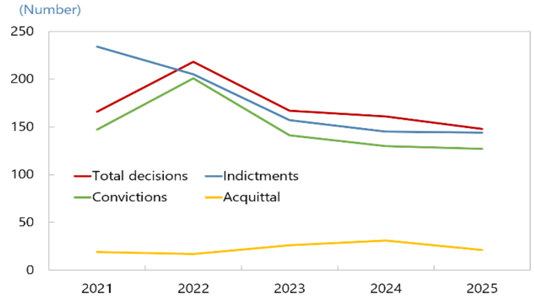
Source: Transparency International.

Penalties Applied in Convictions of Senior Officials
(Number)



Source: Transparency International.

Indictments, Decisions, and Outcomes
(Number)



Source: Transparency International.

13. The decline in corruption indictments alongside a relatively high conviction rate suggests that enforcement weaknesses lie earlier in the process. Fewer cases are being brought, with many investigations discontinued before indictment, narrowing the pipeline to courts. The high conviction rate likely reflects prosecutorial selectivity, focusing on stronger cases, but also points to wide discretion in case selection. This has not translated into improved perceptions of corruption control, as higher-level cases remain limited and sanctions are often weak. Overall, the system appears effective at securing convictions in selected cases, but less so at detecting, investigating, prosecuting, and sanctioning corruption at a scale commensurate with risks. This highlights weaknesses in oversight at earlier stages, particularly decisions to pursue indictments.

E. Judicial Integrity, Independence, and Rule of Law

14. Judicial integrity remains an important governance vulnerability undermining enforcement credibility, contract enforcement, investor confidence, and property rights. The EC also notes that the lack of a functioning judiciary and inadequate implementation of the rule of law continue to undermine the business environment. The HJPC lacks adequate safeguards against political influence, including appointing its own members, while judicial appointments are widely seen as non-transparent and not merit-based, with limited integrity checks. The limited judicial integrity mechanisms continue to dilute the deterrent effect of anti-corruption reforms.

15. Recent HJPC amendments have delivered some institutional progress, including operational asset declaration mechanisms, but core weaknesses persist. The framework still falls short of ensuring merit-based appointments, with continued emphasis on ethnic representation and insufficiently robust safeguards in selection procedures. Eligibility criteria remain partly vague, while budgetary autonomy and protection from external influence are not fully secured. Broad and unclear disciplinary provisions further undermine consistency and predictability. Advancing these reforms—an EU priority—is essential to strengthen judicial independence and support investor confidence, contract enforcement, and property rights.

16. The HJPC's own asset declaration system became operational in June 2025, strengthening the HJPC's ability to verify declarations. Since then, the agency has completed 158 formal verifications, 96 regular verifications and 31 follow-up verifications. The agency has found no violations and only two potential conflicts of interest—suggesting detection challenges. About 80 percent of declarations submitted had to be re-filed due to incorrect entries. The system remains manual (although an Excel file is submitted with the paper declaration) and the HJPC estimates that it takes 40 minutes to input a single declaration into the system, a process that is not sustainable.

17. Fragmented registries present obstacles in the verification system. The HJPC does not have straightforward access to state, entity, cantonal and municipal registries. Verification of foreign assets is also difficult, with assistance requests from other agencies still pending.

F. Corruption Risks in Public Procurement

18. **Reliance on public procurement procedures that do not effectively foster competition is a key governance vulnerability.** Despite a formal framework based on competitive tendering, many contracts attract only one or two bids, and performance lags regional peers. Widespread use of direct awards and single-bid tenders raises risks of overpricing, favoritism, and inefficient spending. Weak oversight, coordination, and use of data limit detection of problematic patterns, so formal compliance does not ensure effective competition or value for money—undermining efficiency, trust, and private sector participation.

19. **Public procurement reforms are at the early stage**. Authorities have adopted a Public Procurement Strategy for 2024–28 and are drafting a new law, supported by EU and SIGMA, alongside anti-corruption measures to strengthen integrity, transparency, and digitalization. However, implementation has been limited and key vulnerabilities persist. Implementation of anti-corruption mechanisms is weak and key vulnerabilities persist. Extensive use of exemptions continues to undermine transparency and competition, with over KM 2 billion (approx. US$1.1 billion) spent outside core procurement principles during 2023–25. Systemic reliance on exemptions, especially in high-value sectors, reflects regulatory gaps and elevated corruption risks. Combined with weak oversight and the absence of clear supervisory authority, these weaknesses leave procurement prone to abuse, undermining expenditure controls, fiscal efficiency, and value for money.

20. **Digitalization can enhance transparency, but its impact will remain limited without stronger oversight and enforcement.** While BiH has a well-developed e-procurement system, procurement data are not systematically used to identify risks or trigger investigation and prosecution, underscoring the need for a stronger link from risk detection to enforcement.

G. Data, Digitalization, and Interinstitutional Coordination

21. **There has been incremental progress in enabling interoperability of core administrative datasets relevant to anti-corruption enforcement.** Ongoing EU-supported initiatives, notably DIGI BiH, and cooperation with the Agency for Identification Documents, Registers and Data Exchange (IDDEEA) aim to establish an interoperable e-government infrastructure enabling structured data exchange across institutions. This architecture could strengthen anti-corruption enforcement, but access remains fragmented and not yet systematic or automated. Fragmentation across multiple administrative levels continues to constrain data sharing, with interoperability initiatives still largely at the design or pilot stage and reliant on project-based coordination rather than embedded institutional solutions. As a result, enforcement bodies face persistent constraints in obtaining and integrating data required for financial investigations.

22. **Stronger coordination between investigative and prosecutorial bodies is key to improving anti-corruption outcomes.** The State Investigation and Protection Agency (SIPA), the principal investigative agency with nation-wide jurisdiction, covers corruption and other serious

offenses. It depends heavily on coordination with prosecutors, particularly the Prosecutor's Office of BiH (POBiH), and the broader judicial system. Without POBiH—given its jurisdiction across both entities and Brčko District—cases cannot proceed to indictment. While the legal framework provides for such cooperation, operational weaknesses persist, including gaps in information sharing, police–prosecutor coordination, joint investigative work, and electronic data exchange. These shortcomings, along with limited specialized capacity, hinder the handling of complex cases.

H. Recommendations

- Operationalize the 2024–28 Anti-Corruption Strategy by developing a roadmap with clear reform targets and responsibilities, strong monitoring with sufficient resources, and harmonization across government levels.
- Fully operationalize the Conflict of Interest Commission through adoption of its by-laws and provision of necessary operational resources.
- Strengthen the independence, transparency, and accountability of the HJPC in line with EU standards, including by providing stronger safeguards on independence and against undue influence and establishing objective merit-based criteria for judicial and prosecutorial appointments.
- Limit judicial discretion in imposing suspended sentences in corruption cases through the establishment of sentencing guidelines with objective and limited grounds for suspended sentences on corruption convictions.
- Strengthen corruption enforcement through improved transparency in investigation decisions and indictments, better coordination among SIPA, prosecutors, and other competent authorities, and information sharing and interoperability of registries through digitalization.
- Establish more effective mechanisms to identify, prevent, and remedy procurement irregularities for stronger oversight over procurement procedures including identification of procurement fraud.

Annex X. Data Issues

Annex X. Table 1. Bosnia and Herzegovina: Data Adequacy Assessment for Surveillance

Data Adequacy Assessment Rating[1]							
B							
Questionnaire Results[2]							
Assessment	National Accounts	Prices	Government Finance Statistics	External Sector Statistics	Monetary and Financial Statistics	Intersectoral Consistency	Median Rating
	B	B	B	B	A	B	B
Detailed Questionnaire Results							
Data Quality Characteristics							
Coverage	B	B	B	A	B		
Granularity[3]	B		A	B	A		
			B		A		
Consistency			B	B		B	
Frequency and Timeliness	A	A	B	A	A		

Note: When the questionnaire does not include a question on a specific dimension of data quality for a sector, the corresponding cell is blank.

[1]The overall data adequacy assessment is based on staff's assessment of the adequacy of the country's data for conducting analysis and formulating policy advice, and takes into consideration country-specific characteristics.

[2]The overall questionnaire assessment and the assessments for individual sectors reported in the heatmap are based on a standardized questionnaire and scoring system (see IMF *Review of the Framework for Data Adequacy Assessment for Surveillance*, January 2024, Appendix I).

[3]The top cell for "Granularity" of Government Finance Statistics shows staff's assessment of the granularity of the reported government operations data, while the bottom cell shows that of public debt statistics. The top cell for "Granularity" of Monetary and Financial Statistics shows staff's assessment of the granularity of the reported Monetary and Financial Statistics data, while the bottom cell shows that of the Financial Soundness indicators.

A	The data provided to the Fund are adequate for surveillance.
B	The data provided to the Fund have some shortcomings but are broadly adequate for surveillance.
C	The data provided to the Fund have some shortcomings that somewhat hamper surveillance.
D	The data provided to the Fund have serious shortcomings that significantly hamper surveillance.

Rationale for staff assessment. The data provided by the authorities has some shortcomings but is broadly adequate for surveillance purposes. The authorities have been consistently providing IMF staff with a wide array of economic and financial data. Despite improvements in accuracy, timeliness, and publication, issues remain, particularly in national accounts and government finance statistics. Mismatches in the recording of intra-government transfers in the Federation of BiH (FBiH) persist and are being addressed with the support of IMF's Statistics Department. A temporary delay in the publication of the second-quarter 2025 GDP by the expenditure approach was resolved by end-2025. The authorities should make greater efforts to reduce discrepancies between the production and expenditure approaches in the national accounts, improve the reporting of inventories, and better capture informal activity. Information on some external borrowing by the Republic of Srpska (RS) remains incomplete. The CPI is based on the 2015 Household Budget Survey and may not reflect current spending patterns; the consumption basket does not include informal markets.

Changes since the last Article IV consultation The IMF's Statistics Department has supported the authorities in improving the quality and consistency of FBiH fiscal data for surveillance with a particular focus on resolving compilation issues and addressing statistical and other discrepancies between above and below the line data. The CBBH has started producing statistics on core inflation. The authorities revised the expenditure GDP data starting from 2000 by applying the COICOP 2018 classification.

Annex X. Table 1. Bosnia and Herzegovina: Data Adequacy Assessment for Surveillance (Concluded)

Corrective actions and capacity development priorities Capacity development priorities include improving GFS statistics over the coming year, including implementing technical assistance recommendations to reduce data mismatches in flows within and between FBiH general government units to resolve data discrepancies in recording of intra-government transfers, the recording of de facto taxes within FBiH's non-tax revenues and recording of health fund expenditures in GFS. Developing financial accounts statistics remains one of the priorities for the authorities. Additionally, staff will encourage the RS authorities to enhance the transparency of external borrowing. The authorities should invest additional efforts to develop and disseminate supply-use tables and long-term demographic trends. The consistency between state-level and entity-level GDP data should be improved, and discrepancies between the production and expenditure approaches should be reduced or resolved.
Use of data and/or estimates in Article IV consultations in lieu of official statistics available to staff. Staff does not use any data and/or estimates in the staff report in lieu of official statistics.
Other data gaps. Multidimensional poverty indicators are out of date and need to be updated for effective poverty surveillance.

Annex X. Table 2. Bosnia and Herzegovina: Data Standards Initiatives

Bosnia and Herzegovina subscribes to the Special Data Dissemination Standard (SDDS) since September 2024 and publishes the data on its National Summary Data Page. The latest SDDS Annual Observance Report is available on the Dissemination Standards Bulletin Board (https://dsbb.imf.org/).

Annex X. Table 3. Bosnia and Herzegovina: Table of Common Indicators Required for Surveillance

As of July 2, 2026

	Data Provision to the Fund				Publication under the Data Standards Initiatives through the National Summary Data Page			
	Date of Latest Observation	Date Received	Frequency of Data[7]	Frequency of Reporting[7]	Expected Frequency[7,8]	Announced Frequency[9]	Expected Timeliness[7,8]	Announced Timeliness[9]
Exchange Rates	2026-07-02	2026-07-02	D	D	D	D	...	1D
International Reserve Assets and Reserve Liabilities of the Monetary Authorities[1]	2026-05	2026-06	M	M	M	M	1M (1W encouraged)	1M
Reserve/Base Money	2026-05	2026-06	M	M	M (W encouraged)	M	2W (1W encouraged)	2W
Broad Money	2026-05	2026-06	M	M	M	M	1M	1M
Central Bank Balance Sheet	2026-05	2026-06	M	M	M (W encouraged)	M	2W (1W encouraged)	2W
Consolidated Balance Sheet of the Banking System	2026-05	2026-06	M	M	M	M	1M	1M
Total assets of other depository corporations[2]	2026-05	2026-06	M	M	...	M	...	1M
Total credit from other depository corporations[2]	2026-05	2026-06	M	M	...	M	...	1M
Interest Rates[3]	2026-05-31	2026-06-23	M	M	D	D	...	1D
Consumer Price Index	2026-05	2026-06	M	M	M	M	1M	1M

Annex X. Table 3. Bosnia and Herzegovina: Table of Common Indicators Required for Surveillance
(Concluded)

Revenue, Expenditure, Balance and Composition of Financing[4]-General Government[5]	2026-03	2026-06	Q	Q	A	A	2Q	6M
Revenue, Expenditure, Balance and Composition of Financing[4]-Central Government	2026-03	2026-06	Q	Q	M	Q	1M	3M
Stocks of Central Government and Central Government-Guaranteed Debt[6]	2026-03	2026-06	Q	Q	Q	Q	1Q	3M
Total stock of General Government Debt[5]	2026-03	2026-06	Q	Q	...	...	...	...
External Current Account Balance	2026-03	2026-06	Q	Q	Q	Q	1Q	1Q
Exports and Imports of Goods and Services	2026-03	2026-06	Q	Q	M	M	8W (4-6W encouraged)	20D
GDP/GNP	2026-03	2026-06	Q	Q	Q	Q	1Q	90D
Gross External Debt	2026-03	2026-06	Q	Q	Q	Q	1Q	1Q
International Investment Position	2026-03	2026-06	Q	Q	Q	Q	1Q	1Q

[1] Any reserve assets that are pledged or otherwise encumbered should be specified separately. Also, data should comprise short-term liabilities linked to a foreign currency but settled by other means as well as the notional values of financial derivatives to pay and to receive foreign currency, including those linked to a foreign currency but settled by other means.

[2] Other depository corporations include all deposit-taking corporations (except for the central bank) and money market funds.

[3] Both market-based and officially determined, including discount rates, money market rates, rates on treasury bills, notes and bonds.

[4] Foreign, domestic bank, and domestic non-bank financing.

[5] The general government consists of the central government (budgetary funds, extra-budgetary funds, and social security funds) and state and local governments. The total stock of general government debt is required for SDDS Plus countries and encouraged for SDDS and e-GDDS countries.

[6] Including currency and maturity composition.

[7] Frequency and timeliness: ("D") daily; ("W") weekly or with a lag of no more than one week after the reference date; ("M") monthly or with lag of no more than one month after the reference date; ("Q") quarterly or with lag of no more than one quarter after the reference date; ("A") annual; ("SA") semi-annual; ("I") irregular; ("NA") not available or not applicable; and ("NLT") not later than.

[8] Encouraged frequency of data and timeliness of reporting under the e-GDDS and required frequency of data and timeliness of reporting under the SDDS and SDDS Plus. Any flexibility options or transition plans used under the SDDS or SDDS Plus are not reflected. For those countries that do not participate in the IMF Data Standards Initiatives, the required frequency and timeliness under the SDDS are shown for New Zealand, and the encouraged frequency and timeliness under the e-GDDS are shown for Eritrea, Nauru, South Sudan, and Turkmenistan. Indicators that are not in the IMF Data Standards Initiatives are shown as "...".

[9] Based on the information from the Summary of Observance for SDDS and SDDS Plus participants, and the Summary of Dissemination Practices for e-GDDS participants, available from the IMF Dissemination Standards Bulletin Board (https://dsbb.imf.org/). For those countries that do not participate in the Data Standards Initiatives, as well as those that do have a National Data Summary Page, the entries are shown as "...".