



BOSNIA AND HERZEGOVINA

FOURTH REVIEW UNDER THE STAND-BY ARRANGEMENT AND REQUEST FOR MODIFICATION AND WAIVERS OF APPLICABILITY OF PERFORMANCE CRITERIA

November 2013

In the context of the Fourth Review Under the Stand-By Arrangement and Request for Modification and Waivers of Applicability of Performance Criteria, the following documents have been released and are included in this package:

- The **Staff Report** for Fourth Review Under the Stand-By Arrangement and Request for Modification and Waivers of Applicability of Performance Criteria, prepared by a staff team of the IMF for the Executive Board's consideration on October 28, 2013, following discussions that ended on September 19, 2013, with the officials of Bosnia and Herzegovina on economic developments and policies underpinning the IMF Stand-By Arrangement. Based on information available at the time of these discussions, the staff report was completed on October 11, 2013.
- A **Press Release** including a statement by the Chair of the Executive Board.
- A **Statement by the Executive Director** for Bosnia and Herzegovina.

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

Letter of Intent sent to the IMF by the authorities of Bosnia and Herzegovina*
Technical Memorandum of Understanding*

*Also included in Staff Report

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

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October 11, 2013

KEY ISSUES

Stand-By Arrangement (SBA): The Board approved Bosnia and Herzegovina's (BiH) request for a two-year Stand-By Arrangement (SBA) with access of SDR 338.2 million (200 percent of quota) on September 26, 2012. The third review was completed in June and SDR 169.1 million (100 percent of quota) was disbursed so far. SDR 42.275 million (25 percent of quota) would become available upon completion of the fourth review.

Program performance: Despite a challenging environment, steady progress has been made in meeting program objectives. All end-June performance criteria (PCs) and indicative targets were met, and steady progress has also been made in observing structural benchmarks. However, as the fourth review was delayed to allow for a discussion of the policies that would allow meeting the end-2013 fiscal targets, the authorities are requesting waivers of applicability of the now controlling end-September PCs on the budget balances and accumulation of domestic arrears for the Institutions of BiH and the entity central governments for which data are not yet available and for which there is no evidence that these were not observed. Furthermore, and owing to weaker than expected indirect tax collection, the authorities are requesting a modification of the end-December 2013 PCs on the budget balances to allow a modest reallocation of fiscal space between the Institutions of BiH and the entities.

Outlook and risks: A modest recovery in economic activity is taking hold, supported by strong exports. Growth is now expected to reach close to 1 percent this year and is projected to pick up further in 2014. Considerable downside risks weigh on this outlook, including those stemming from next year's general elections. The latter pose a significant risk to the timely implementation of policies envisaged under the program.

Staff's view: On the basis of the authorities' strong performance so far and their commitment to sound economic policies for the remainder of 2013 and early 2014, as outlined in the attached supplementary Letter of Intent, staff recommends the completion of the fourth review. Staff also supports the requests for modification and waivers of applicability of performance criteria.

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

A staff team comprising Messrs. van Rooden (head), Zhan, Llaudes (all EUR), and Ms. Maslova (SPR) visited Banja Luka and Sarajevo during September 4–19, 2013. Ms. Richmond (FAD) supported the mission from headquarters. Mr. Atoyán (resident representative) and Ms. Jankulov (local economist) assisted the mission. The team met with: at the State level: Chairman of the Council of Ministers Bevanda, Minister of Finance and Treasury Špirić, Central Bank Governor Kozarić; in the Federation of BiH: Prime Minister Nikšić and Finance Minister Krajina; and in the Republika Srpska: Prime Minister Cvijanović and Finance Minister Tegeltija. Staff also met with other senior officials and representatives of the labor unions, the corporate sector, and the diplomatic community. Ms. Blasco and Ms. Nguyen (both EUR) and Mr. Ogaja (TGS) assisted with the preparation of this report.

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RECENT DEVELOPMENTS, OUTLOOK, AND RISKS

1. **The modest recovery in economic activity is taking hold.** Against a deeper-than-projected contraction in 2012,¹ industrial production and exports have continued to perform strongly so far in 2013, supported by a pick-up in activity in export-oriented sectors such as manufacturing and energy production and by a number of investment projects in the road and mining sectors. Therefore, real GDP is now projected to expand by close to 1 percent, slightly above earlier estimates. Similarly, the current account deficit is projected to narrow to 7½ percent of GDP this year, from almost 10 percent of GDP in 2012. Inflation pressures remain subdued, reflecting constrained consumer demand. Unemployment, however, remains high at around 28 percent.

BiH: Selected High-Frequency Indicators, 2012–13

Indicator	Jun-12	Sep-12	Dec-12	Mar-13	Jun-13
	(Change, ytd, percent unless otherwise noted)				
RS Real GDP ¹	-0.6	-0.9	-0.6	0.9	1.3
Industrial production (real)	-4.4	-4.6	-4.3	6.6	6.9
Capital Goods	-8.3	-1.0	-0.5	24.6	26.6
Private sector employment	-1.6	-1.7	-1.8	-1.9	-1.8
Value-added tax revenues (gross)	-1.5	0.2	-0.1	0.6	2.5
Real net private sector wage	-0.7	-0.8	-4.5	5.1	5.4
Imports (nominal), of which	-0.7	-0.3	-1.8	0.6	-1.3
Capital goods	0.4	-1.2	-3.6	0.0	-1.1
Consumer non-durables	0.0	1.5	1.7	6.3	6.2
Exports (nominal)	-5.1	-4.7	-4.4	9.7	8.7
Headline inflation	2.2	2.1	2.0	0.8	0.6
Core inflation	0.6	0.6	0.6	-0.4	-0.4

Sources: BiH authorities; and IMF staff estimates.

¹ Percent change over the same quarter in previous year.

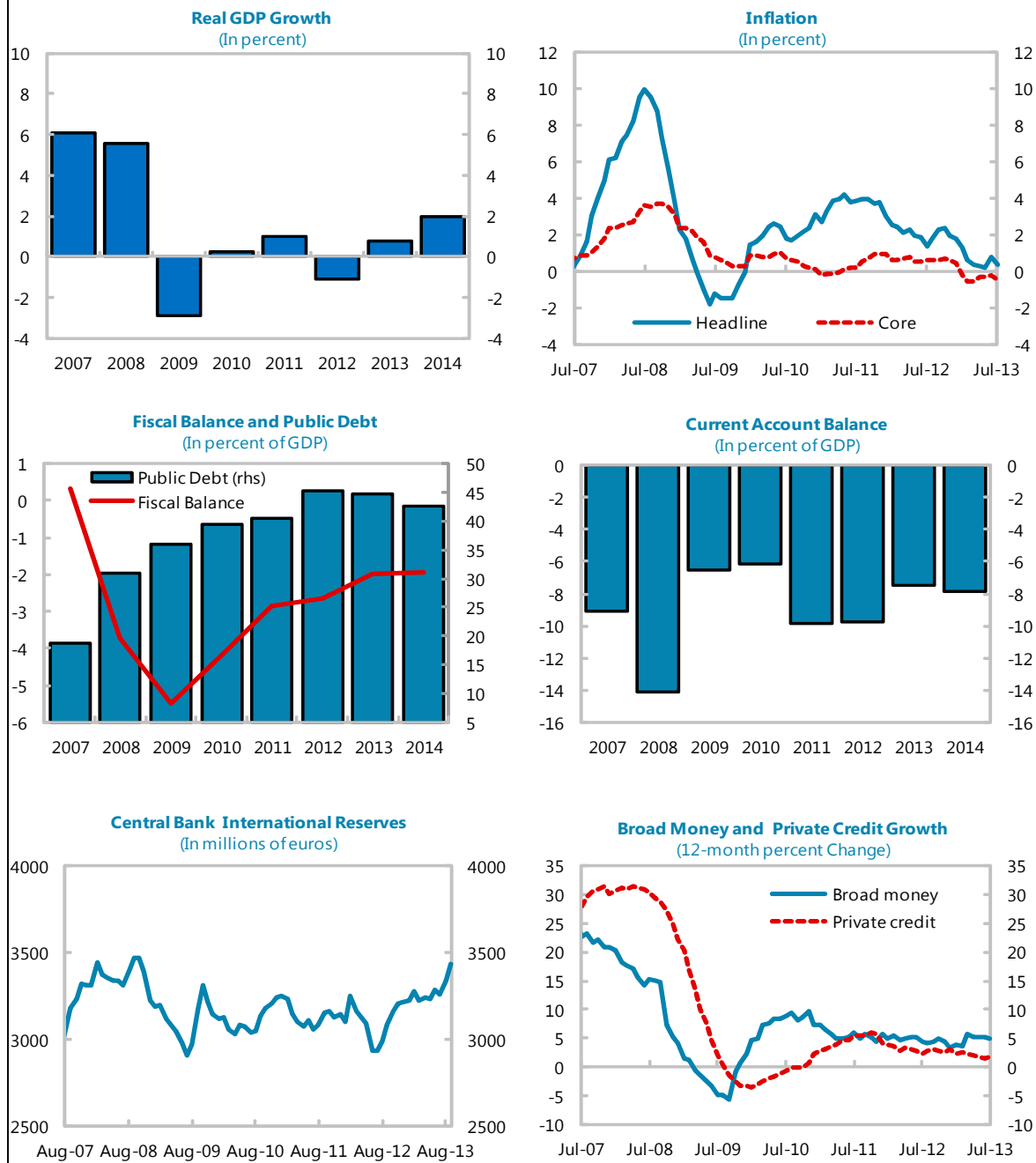
2. **Going forward, growth prospects rest on a recovery in Europe and an acceleration of structural reforms.** BiH is a very open economy with deep trade and financial linkages with Europe.² As BiH's trading partners recover, growth is expected to be driven by expanding exports that, combined with large and stable inflows of remittances, will boost incomes and consumption. Furthermore, public investment in infrastructure projects should also support economic activity. On the other hand, the sizable pre-crisis capital inflows that funded domestic credit activity are not expected to resume, thus dampening the extent of the recovery. Structural reforms to make BiH a more attractive place to invest will be needed to further spur growth and job creation.

3. **Significant downside risks continue to weigh on BiH's outlook.** A difficult political situation and the looming general elections planned for October 2014 pose significant risks to the timely implementation of policies envisaged under the program. On the external side, a move to less accommodative policies in advanced economies may lead to strains in foreign bank funding. Moreover, prolonged slow growth or renewed financial stresses in the euro area would weaken exports and could spark a further retrenchment of foreign investment in BiH and bank deleveraging.

¹ Recently released quarterly national accounts for BiH confirm that the 2012 recession was more severe than initially estimated on account of a weather-related slump in activity in the first quarter.

² Growth correlation with the EU is around 0.7 over 2000–11.

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



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

PERFORMANCE UNDER THE PROGRAM

4. **Data to assess the end-September 2013 performance criteria on budget balances (net lending) and domestic arrears are not yet available.** There is no indication, however, that these performance criteria were not met. The authorities are therefore requesting waivers of applicability of these end-September performance criteria, which will then be assessed during the next review. Data are available for the end-September performance criteria on non-concessional short-term external debt and the continuous performance criterion on external payment arrears. The authorities did not contract or guarantee any new non-concessional short-term external debt, nor did they accumulate any external payment arrears.

5. **All end-June 2013 performance criteria on fiscal balances were met.** While tax revenues have lagged the pick-up in activity, reflecting weak collection of gross indirect tax revenues exacerbated by rising VAT refunds, tight spending controls have allowed for the end-June 2013 quantitative performance criteria on the budget balances of the Institutions of BiH and the central governments of the Federation and Republika Srpska (RS) to be met with comfortable margins. Moreover, the Institutions of BiH and the central governments of the Federation and the RS did not see an increase in domestic arrears over the same period. Similarly, the indicative end-June target for net lending by the general government (excluding foreign financing) was met and the changes in the stock of other accounts payable for the general governments of the Federation and the RS—also indicative targets—remained below their respective ceilings through end-June 2013.

6. **Further progress has been made toward implementing the structural reform agenda.** The continuous and quarterly structural benchmarks were all observed (see Table 9). In addition:

- Amendments to the RS Banking Agency law were adopted, bringing the treatment of confidential information in line with EU practices (*a structural benchmark for end-June 2013*). With the same process already completed in the Federation, this will support the authorities' efforts to enhance cooperation with foreign bank supervisors, including through the signing of Memoranda of Understanding.
- Amendments to the banking laws of both entities to limit the duration of provisional administration to one year with a possible six month extension were also approved by the respective parliaments (*structural benchmarks for end-June 2013*).
- The new law on privileged pensions in the Federation became effective in August 2013. The new law—adoption of which had been *a prior action for the second review*—aims to contain fiscal costs while increasing social fairness and safeguarding the financial health of the old-age pension system. Benefits for existing beneficiaries that were not receiving the minimum benefit have been reduced by more than 20 percent on average. Audits of the existing beneficiaries are continuing, following a temporary interruption in some cantons, and the procedures for

verifying the eligibility of new beneficiaries have been harmonized for the various former military and policy services with a view to close loopholes.³ The law is currently under review by the Federation Constitutional Court, however, and its full implementation will continue to require strong political will.⁴

- Following consultations with all stakeholders, including cantons and municipalities, as well as parliament, the new law on budgets for the Federation—developed with the assistance from the Fund—has been submitted for the final reading to parliament. Approval is expected before end-November 2013 (*a new proposed date for this end-September 2013 structural benchmark*). This new law will significantly enhance fiscal policy coordination and promote stricter fiscal discipline in the Federation.
- In the RS, progress was made with creating a one-stop process for business registration, with the legislation and regulations that focus on a reduction of costs having been adopted and effective as of September 1, 2013, while those relating to the registration process itself will enter into force on December 1, 2013 (*an end-September 2013 structural benchmark; see below*).
- The Federation authorities adopted the new pension reform strategy together with an action plan, developed with assistance from the World Bank. The reform strategy aims at increasing the number of contributors and increasing the effective retirement age to ensure the longer-term sustainability of the system. The action plan envisages that the required legislation to implement the strategy is put in place by early 2015. Parliamentary approval of the strategy and action plan is expected by end-October 2013.
- A new law on public procurement was developed with the assistance of the EU and OECD and is expected to be submitted to the BiH Council of Ministers in October. The new law would bring procurement practices in BiH in line with those in the EU. As a result of delays in preparing the draft, its adoption by the BiH parliament is now expected by end-2013.

POLICY DISCUSSIONS

A. Fiscal Policy: Improving Revenue Collection and Spending Control

7. **The authorities are taking additional steps to ensure that the end-2013 general government deficit target can still be achieved in light of the lagging revenue collection.**

Indirect tax revenues in particular have been lagging the pick-up in economic activity, with stagnating gross collection and growing VAT refunds, adversely affecting the entity budgets. So far,

³ The new beneficiaries should remain less than 6,000 and include unemployed veterans who are disabled or close to retirement.

⁴ Should the court reverse or change the law, the budget law includes a provision that benefit levels would be adjusted using a rationing coefficient to ensure that the overall amount spent on privileged pensions remains within the budget allocation.

tight spending controls helped the authorities meet program targets, but with spending expected to accelerate toward the end of the year and shortfalls also from the sale of non-financial assets (military equipment) in the RS, the authorities decided on the following measures to ensure that the overall end-year fiscal targets can be met:

- **Improving indirect tax collection**, including by: (i) better targeting audits of refunds; (ii) accelerating the harmonization of excise rates of different tobacco products, to deter tax evasion and smuggling; (iii) enhancing transparency by publishing names of the largest tax debtors (*a new structural benchmark for end-December 2013*) and publishing information on tax debt; (iv) implementing the newly approved Rulebook on the Organization of Work Posts of the ITA to shift resources to the large taxpayer office and to the detection and prevention of VAT fraud; and (v) proposing indicative targets for gross indirect tax collection. In addition, the four tax authorities will start sharing taxpayer information in January 2014.
- **A budget revision in the RS**—which had been hit hardest by the revenue shortfalls as the RS' share in the allocation of indirect revenues has been declining as well—to largely offset not only these revenue shortfalls but also a mid-year 5 percent public sector wage increase that partially reversed the 10 percent wage cut introduced at the start of the year. The revenue shortfalls and wage increase created a fiscal gap of a little over 0.3 percent of (overall) GDP. With direct tax revenues performing better than budgeted by 0.1 percent of GDP, spending cuts equivalent to 0.2 percent of GDP were made—mainly covering benefits, subsidies and goods and services. The revised budget was adopted by the RS government as *a prior action for this review*.
- **Requesting a small redistribution of fiscal space** under the program (equivalent to less than 0.1 percent of GDP) from the Institutions of BiH to the entities, as the weak indirect tax collection is largely outside the control of the entities. As some under-execution is projected for the budget of the Institutions of BiH, the authorities are requesting that the end-December 2013 performance criteria on the floor on net lending (excluding foreign financed projects) be lowered by KM 5 million for the Federation and by KM 15 million for the RS and that, correspondingly, the floor on net lending for the Institutions of BiH be raised by KM 20 million.

8. **With these additional steps, it should be possible to achieve the overall fiscal deficit target of 2 percent of GDP as originally planned.** Nevertheless, this will still require continued spending restraint by both entities as well as the planned distribution of dividends (equivalent to almost 0.4 percent of GDP) from the national power transmission company (TRANSCO).⁵

9. **Looking ahead, the 2014 budgets should aim to preserve the gains in fiscal consolidation achieved so far.** While discussions on the 2014 budgets are expected to be completed only during the fifth review mission, the authorities agreed with staff on the need to use revenue assumptions that strike an appropriate balance between being conservative and ambitious and to keep the spending envelope broadly unchanged from 2013—which will be a considerable

⁵ The program includes an adjustor for shortfalls in programmed dividend payments from TRANSCO (see EBS/12/161) that would allow the authorities to seek alternative financing.

challenge with elections coming up. In the meantime, indicative fiscal targets are proposed for end-March and end-June 2014, which will be firmed up during the fifth review. But even with spending broadly unchanged, staff projections suggest that the authorities will face additional financing needs toward the end of 2014 as there will be fewer revenues from one-off measures in 2014, while external debt servicing obligations will be even higher than in 2013 and less foreign financing has been identified so far.⁶

10. **Demonstrating their commitment to maintain sound fiscal policies, the authorities recently adopted the Global Fiscal Framework (GFF) for 2014–16.** While the GFF is mainly to determine the overall spending envelope and revenue share for the budget of the Institutions of BiH, it also sets indicative parameters for the entities' budgets that are consistent with a further gradual reduction of the consolidated general government deficit over the coming years. Given a now slightly lower revenue path, staff projects that BiH could reach a balanced budget by 2018.

11. **Meanwhile, the Federation authorities are also pressing ahead with efforts to improve direct tax collection.** A new corporate income tax (CIT) law is under preparation. The draft law, developed with input from Fund staff, aims to: (i) broaden the tax base; (ii) provide broad conformity between tax and accounting principles; and (iii) clarify the tax treatment of loan loss provisions to encourage provisioning by banks. Submission of the draft CIT law to parliament is expected by end-December 2013, following also an LEG technical assistance mission to ensure consistency across related legislation. In addition, the Federation Tax Authority (FTA), has developed a strategic plan with technical assistance from the Fund, aiming at modernizing the institutional structure of FTA, promoting voluntary compliance, and implementing risk-based enforcement. This strategic plan has been adopted by the Federation government in October and will become effective January 2014.

B. Ensuring Financial Sector Stability

12. **Soft lending activity and rising non-performing loans (NPLs) continue to burden the financial sector and close monitoring of banks remains warranted.** At the aggregate level, the banking sector remains profitable and well-capitalized. Sector profits have benefited from a streamlining of operations and other cost cutting measures. At the same time, weaknesses have emerged as NPLs have continued to edge up, to over 14 percent on average (although provisioning stands unchanged at around 65 percent of non-performing assets) and as the effect of cost-cutting measures wanes, profitability may come under pressure from sluggish credit growth and possible need for additional provisioning. One small bank in the RS failed to meet the minimum capital requirements after having to write off bad loans and was subsequently nationalized, as the authorities feared a negative public reaction. Against this backdrop, the banking agencies have continued their intensified monitoring of those banks identified as most vulnerable under adverse

⁶ So far, identified direct budget financing in 2014 includes the two last disbursements under the SBA, totaling about \$136 million, and a \$50 million Development Policy Loan from the World Bank that is under preparation. The EU disbursed \$140 million in direct budget support in 2013.

scenarios, while these banks will also need to select reputable external auditors to complete thorough asset quality reviews (*a new structural benchmark for end-December 2013*).⁷

13. **The authorities continue to strengthen their contingency planning and crisis preparedness toolkit.** The members of the Standing Committee on Financial Stability, supported by Fund staff, are preparing detailed contingency plans describing the responsibilities of and the coordination between responsible institutions in the event of financial sector difficulties. Completion of these plans is expected by end-December 2013 (*a structural benchmark*). Additional measures planned in this area include crisis simulation exercises and the development of bottom-up stress tests for those banks considered systemically important. Efforts are also underway to strengthen cooperation with home country supervisors of foreign-owned banks through the signing of Memoranda of Understanding, while a Host Country Cross-Border Forum is scheduled for November to facilitate information exchange among home and host country supervisors and parent banks.

14. **Work also continues on legislative initiatives aimed at bringing banking laws up-to-date and at improving the resolution framework for non-performing loans.** Following a thorough review of the NPL resolution framework, the authorities have requested technical assistance from the Fund to help with the preparation of laws on asset management companies (*structural benchmarks for end-June 2014*) and the establishment of a voluntary out-of-court restructuring framework. Similarly, the authorities will review and amend as needed other legislation (law on companies, law on foreign exchange operations, law on enforcement procedure, and others) with a view to improving creditors' rights. The authorities are also seeking assistance with the planned overhaul of the banking laws (*also structural benchmarks for end-June 2014*), aimed at bringing these fully in line with EU legislation and the requirements of Basel II, and to ensure consistency between the entities. These new laws would also expand the tool-kit for dealing with problem banks and clarify the procedures for doing so.

15. **The authorities remain committed to combating money laundering and terrorist financing.** To help safeguard the integrity and stability of BiH financial markets, both entities and the Institutions of BiH have closely worked together to prepare a new law on AML/CFT seeking compliance with the Financial Action Task Force (FATF) recommendations. An effective AML framework would also support the authorities' efforts against smuggling and tax evasion. The law is expected to be approved by the BiH parliament by end-December 2013. Furthermore, the authorities will review and amend as necessary related legislation, as well as the BiH Criminal Code, to ensure full consistency with the new law.

⁷ This will cover eight banks that together account for almost one quarter of the total banking system's assets.

C. Strengthening Competitiveness and Job Creation

16. **Structural reforms to improve the business environment and make BiH a more attractive place to invest will be key to spur growth and job creation.** With chronically high unemployment—and with youth unemployment topping 60 percent—the authorities are moving ahead with much-needed labor market and regulatory reforms:

- **Simplification of business registration and regulation.** A rigid business environment and a complex regulatory framework hinder both domestic and foreign investment. To address these shortcomings, the authorities are working closely with the World Bank to improve the business environment. In the RS all legislative changes needed for the establishment of a one-stop-shop for business registration have been adopted and are to become fully operational in December (*at which time the structural benchmark that was set for end-September 2013 will be fully met*). In the Federation, work is well advanced on preparing new laws on companies, registration, and inspections. These laws are expected to be approved by the Federation parliament by end-December 2013. Furthermore, the registration process will be further simplified in the RS by enabling full functional implementation of online e-registration by end-June, 2014.
- **Revamping labor laws.** Outdated and rigid labor laws hinder private job creation. The authorities have started the process of drafting new labor laws, both in the Federation and in the RS, with a view to spurring job creation while safeguarding workers' rights consistent with ILO labor standards and EC labor directives. They have engaged the main stakeholders, including trade unions and business representatives, but it will be crucial that this dialogue also takes into account the interests of those that are currently out of work. Discussions will also need to focus on the need to revive the process for collective bargaining—as current collective agreements stem from 2005—and increase penalties for labor law violations to reduce the size of the informal economy. The authorities aim to have the new labor laws adopted by the respective parliaments by end-December 2013 (*structural benchmarks*). This will also pave the way for eliminating the take-home pay protection in the RS (*a structural benchmark for end-December 2013*).⁸

17. **Discussions on WTO accession are progressing, although some delays are likely.**

Discussions on a bilateral agreement with the USA are at an advanced stage, while those with the EU have already been completed. Bilateral discussions with some other WTO members, however, are proving to be more challenging and this could delay BiH's WTO accession. Meanwhile, following Croatia's accession to the EU, trade between BiH and Croatia has become regulated by the Interim Agreement on Trade and Trade-Related Issues with the EU. Discussions are underway to boost trade with the EU, while the authorities continue working on harmonizing standards and administrative procedures needed for the export of agricultural products to the EU.

⁸ Currently, gross wages are automatically raised in case of an increase in tax or contributions rates to guarantee the same net pay.

STAFF APPRAISAL

18. **The authorities continue to make good progress under the SBA.** Economic activity is picking up and fiscal policy remains on track. Data to assess all the controlling end-September 2013 performance criteria are not yet available, but the two for which data are available were met. Moreover, all end-June 2013 performance criteria and indicative targets were met, and steady progress has also been made in observing structural benchmarks.

19. **Fiscal policies have met with some headwinds.** The collection of indirect taxes has lagged the pick-up in activity and together with new spending initiatives and shortfalls in other revenues this created gaps in the government budgets. With the authorities' increased efforts to strengthen tax collection and curb spending—including the adoption of a revised 2013 budget by the RS government as a prior action for this review—it should still be feasible, however, to bring the overall budget deficit down to 2 percent of GDP this year. Meeting this target will also require that the new law on privileged pensions that was adopted in the Federation earlier this year is fully implemented. This will ensure that the system is not only socially fair, but also financially sustainable and able to safeguard old-age pensions.

20. **Looking ahead, it will be crucial to ensure that the gains made so far in fiscal consolidation are preserved and that public debt is placed firmly on a downward path.** This will be a considerable challenge in an election year. Nevertheless, with fewer revenues from one-offs in 2014 and higher debt service obligations, the authorities will need to strictly contain current spending in the 2014 government budgets.

21. **BiH's banking sector remains stable, but continued vigilance is warranted.** The authorities' increased efforts to strengthen banking supervision, improve their readiness to deal with any banking sector difficulties, and enhance the NPL resolution framework are crucial to ensure financial sector stability. Closer coordination and cooperation with home country supervisors also remains of particular importance given the ownership structure of the banking sector.

22. **With unemployment at a high level, the authorities are rightly aiming to make BiH a more attractive place to invest and create jobs.** The authorities are working to improve the business environment, by making it easier to start and operate a business, and are preparing new labor laws that are more conducive to job creation. This can best be achieved through a constructive dialogue with all stakeholders, including trade unions and business representatives, but a dialogue that also takes into account the interests of those that are currently out of work. Urgent action is needed to revive the process for closer integration with the EU to improve BiH's prospects for medium-term growth.

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

24. **Despite these risks, in view of the authorities' strong performance so far and their policies for the remainder of 2013 as summarized in the attached supplementary Letter of Intent of October 9, 2013, staff supports the authorities' request for the completion of the fourth review under the SBA.** BiH has sufficient capacity to discharge its obligations to the Fund in a timely manner. With the expectation that strong performance under the program will continue, BiH will return to a sustainable medium-term growth path. This provides assurances that BiH should continue to be able to service its obligations to the Fund on time. Staff also supports the authorities' request for waivers of applicability of the end-September 2013 performance criteria on the floor on net lending (fiscal balances) and the ceiling on the accumulation of domestic arrears, as data are not yet available while there is no evidence that these were not met. Staff furthermore supports the authorities' request to modify the end-2013 performance criterion on net lending (fiscal balances) for the Institutions of BiH and the central governments of the Federation and the RS.

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

	2010	2011	2012			2013		2014	2015	2016	2017	2018
			EBS/12/120	EBS/12/161	Prel.	EBS/12/161	Proj.			Proj.		
Nominal GDP (KM million)	24,773	25,680	25,970	25,885	25,654	26,797	26,287	27,474	29,191	31,270	33,507	35,964
Gross national saving (in percent of GDP)	11.5	6.4	10.9	9.0	6.3	10.0	9.8	9.0	10.2	11.1	12.2	12.9
Gross investment (in percent of GDP)	17.1	15.6	18.5	18.9	16.0	19.1	17.0	17.2	17.3	17.4	17.7	17.8
	(Percent change)											
Real GDP	0.2	1.0	0.0	-0.7	-1.1	0.5	0.8	2.0	3.5	4.0	4.0	4.0
CPI (period average)	2.1	3.7	2.2	2.5	2.0	2.4	1.8	1.8	1.9	2.0	2.2	2.2
Money and credit (end of period)												
Broad money	7.2	5.8	1.9	1.6	3.4	3.5	3.7	4.5	5.0	7.1	7.5	7.6
Credit to the private sector	2.1	4.2	1.0	0.8	2.8	3.5	2.5	5.2	7.0	8.0	8.0	8.3
	(In percent of GDP)											
Operations of the general government												
Revenue	46.5	46.1	46.5	46.4	46.3	46.3	46.6	46.1	45.9	45.9	45.9	45.9
<i>Of which: grants</i>	2.5	2.1	2.1	2.2	2.1	2.2	2.1	2.1	2.2	2.3	2.5	2.6
Expenditure	50.6	48.9	49.5	49.5	49.0	48.4	48.6	48.0	47.2	46.7	46.4	45.9
<i>Of which: investment expenditure</i>	8.0	6.3	6.4	6.7	6.2	6.6	6.9	6.7	6.7	6.8	6.9	6.9
Net lending	-4.2	-2.9	-3.0	-3.0	-2.7	-2.0	-2.0	-1.9	-1.2	-0.8	-0.5	-0.1
Net lending, excluding interest payment	-3.5	-2.3	-2.1	-2.2	-1.9	-1.1	-1.1	-1.0	-0.4	-0.1	0.2	0.6
Total public debt	39.3	40.5	43.1	43.9	45.1	43.0	44.7	42.3	39.8	37.4	34.8	34.5
Domestic public debt	13.9	14.5	14.9	15.4	17.2	13.5	15.2	13.2	12.1	11.7	11.7	11.7
External public debt	25.4	25.9	28.2	28.5	27.9	29.5	29.6	29.1	27.6	25.7	23.1	22.7
	(In millions of euros)											
Balance of payments												
Exports of goods and services	3,700	4,111	5,471	3,953	4,061	4,265	4,333	4,657	5,052	5,437	5,854	6,316
Imports of goods and services	6,522	7,714	8,539	7,264	7,109	7,573	7,372	7,861	8,288	8,781	9,267	9,824
Current transfers, net	1,805	1,791	1,789	1,824	1,837	1,859	1,891	1,967	2,048	2,143	2,251	2,367
Current account balance	-782	-1,295	-1,008	-1,310	-1,273	-1,237	-1,005	-1,100	-1,050	-1,011	-937	-907
(In percent of GDP)	-6.2	-9.9	-7.6	-9.9	-9.7	-9.0	-7.5	-7.8	-7.0	-6.3	-5.5	-4.9
Foreign direct investment	-272.2	-342.3	200.0	-404.0	-273.2	-346.9	-319.3	-328.5	-334.1	-339.8	-349.8	-360.3
(In percent of GDP)	-2.1	-2.6	1.5	-3.1	-2.1	-2.5	-2.4	-2.3	-2.2	-2.1	-2.0	-2.0
Gross official reserves	3,303	3,285	3,229	3,245	3,326	3,285	3,450	3,604	3,635	3,623	3,637	3,914
(In months of imports)	5.4	5.4	4.3	5.1	5.4	5.0	5.2	5.2	4.9	4.7	4.4	4.5
External debt, percent of GDP	51.6	49.1	51.6	52.5	53.0	54.0	54.2	54.2	52.7	50.5	47.6	47.0
External debt service/GNFS exports (percent)	19.7	14.9	9.8	13.2	13.3	17.4	15.6	16.5	14.9	15.7	17.2	10.8

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

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

	2010	2011	2012	2013	2014	2015	2016	2017	2018
			Est.			Proj.			
<i>Real aggregates</i>									
(Percent change)									
<i>Growth rates</i>									
GDP at constant 2005 prices	0.2	1.0	-1.1	0.8	2.0	3.5	4.0	4.0	4.0
Domestic demand	-3.4	1.1	-1.9	-1.4	3.6	3.3	4.6	4.3	4.4
Private	-5.6	2.9	-2.1	-2.3	4.4	3.3	4.4	3.7	4.1
Public	3.5	-4.0	-1.4	1.3	1.4	3.1	5.2	5.8	5.2
Consumption	-0.4	3.1	-2.2	-2.6	3.4	2.5	4.0	3.4	3.7
Private	-0.8	2.9	-2.6	-3.0	4.2	2.5	3.8	3.0	3.4
Public	1.3	3.6	-0.7	-1.3	0.7	2.6	4.3	4.9	4.7
Gross capital formation	-15.9	-8.5	-0.6	5.5	4.6	7.1	7.9	8.2	7.7
Private	-30.1	3.1	1.4	2.9	5.5	8.6	7.9	8.0	8.4
Public	9.2	-21.8	-3.5	9.7	3.4	4.8	7.8	8.3	6.6
Net Exports									
Exports of goods and services	10.3	3.6	-3.0	8.1	10.2	10.4	8.2	7.8	7.9
Imports of goods and services	-2.7	2.6	-4.0	0.2	10.6	7.3	7.9	6.9	7.3
<i>Contributions to real GDP growth</i>									
(Year-on-year change over real GDP in previous year, in percent)									
GDP at constant 2005 prices	0.2	1.0	-1.1	0.8	2.0	3.5	4.0	4.0	4.0
Domestic demand	-4.4	1.4	-2.4	-1.7	4.4	4.1	5.7	5.3	5.5
Private	-5.5	2.7	-2.0	-2.1	3.9	3.1	4.1	3.5	3.8
Public	1.1	-1.3	-0.4	0.4	0.4	1.0	1.6	1.8	1.7
Consumption	-0.4	3.2	-2.3	-2.8	3.5	2.6	4.0	3.5	3.7
Private	-0.7	2.3	-2.2	-2.5	3.3	2.0	3.0	2.4	2.6
Public	0.3	0.8	-0.2	-0.3	0.2	0.6	1.0	1.1	1.1
Gross capital formation	-4.0	-1.8	-0.1	1.1	0.9	1.5	1.7	1.8	1.8
Private	-4.8	0.3	0.2	0.3	0.7	1.1	1.0	1.1	1.2
Public	0.8	-2.2	-0.3	0.7	0.3	0.4	0.7	0.7	0.6
Net Exports	4.6	-0.4	1.3	2.5	-2.4	-0.6	-1.7	-1.3	-1.5
Exports of goods and services	3.0	1.2	-1.0	2.7	3.6	3.9	3.3	3.3	3.4
Imports of goods and services	-1.6	1.5	-2.3	0.1	6.0	4.5	5.0	4.6	4.9
<i>Deflators</i>									
(Percent Change)									
GDP	2.1	2.6	1.0	1.7	2.5	2.7	3.0	3.0	3.2
Domestic demand	4.0	4.4	2.1	2.1	1.6	1.6	1.7	1.9	2.1
Consumption	3.7	4.1	2.0	2.2	1.8	2.1	2.1	2.3	2.5
Investment	2.3	3.8	3.0	3.0	1.0	-0.3	0.1	0.4	0.5
Exports of goods and services	9.1	7.1	1.8	-1.4	-2.5	-1.7	-0.6	-0.1	0.0
Imports of goods and services	9.7	9.5	4.0	0.6	-2.3	-2.4	-1.9	-1.3	-1.2
<i>Nominal aggregates</i>									
Nominal GDP (KM million)	24,773	25,680	25,654	26,287	27,474	29,191	31,270	33,507	35,964
(In percent of GDP)									
Consumption	105.0	108.7	108.6	105.5	106.3	104.7	103.7	102.5	101.5
Private	83.6	86.7	86.3	83.6	84.8	83.5	82.7	81.5	80.6
Public	21.4	22.1	22.4	21.9	21.5	21.1	21.0	21.0	20.9
Gross capital formation	17.1	15.6	16.0	17.0	17.2	17.3	17.4	17.7	17.8
Private	9.1	9.4	9.8	10.1	10.3	10.5	10.6	10.8	10.9
Public	8.0	6.3	6.2	6.9	6.9	6.8	6.8	6.9	6.9
National Savings	11.5	6.4	6.3	9.8	9.0	10.2	11.1	12.2	12.9
Private	8.5	3.7	4.2	5.0	4.8	5.5	5.8	6.4	7.2
Public	3.0	2.7	2.1	4.7	4.2	4.7	5.3	5.8	5.6
Saving-Investment balance	-5.6	-9.2	-9.7	-7.2	-8.2	-7.0	-6.3	-5.5	-4.9
<i>Labor market</i>									
(In percent)									
Unemployment rate (ILO definition) ¹	27.2	27.6	28.0

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

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

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

Table 3. Bosnia and Herzegovina: Balance of Payments, 2010–18 1/
(In millions of euros, unless otherwise indicated)

	2010	2011	2012	2013	2014	2015	2016	2017	2018
			Prel.				Proj.		
Current account	-782	-1,295	-1,273	-1,005	-1,100	-1,050	-1,011	-937	-907
Trade balance	-2,797	-3,196	-3,232	-3,057	-3,241	-3,274	-3,378	-3,448	-3,544
Goods	-3,901	-4,267	-4,318	-4,187	-4,463	-4,575	-4,727	-4,850	-5,011
Export of goods (fob)	2,189	2,625	2,575	2,796	3,008	3,289	3,586	3,909	4,261
Import of goods (fob)	-6,090	-6,892	-6,893	-6,983	-7,470	-7,863	-8,313	-8,759	-9,272
Services (net)	1,103	1,071	1,086	1,130	1,222	1,301	1,349	1,402	1,466
Exports	1,511	1,486	1,486	1,537	1,649	1,763	1,851	1,945	2,055
Imports	-408	-414	-400	-408	-427	-462	-502	-543	-588
Primary Income (net)	211	110	122	162	174	176	225	260	271
Total credit	450	477	445	463	504	543	592	633	667
Total debit	-239	-367	-323	-301	-329	-367	-367	-373	-396
Of which, Interest payments	-170	-162	-154	-129	-153	-183	-174	-170	-183
Secondary Income (net)	1,805	1,791	1,837	1,891	1,967	2,048	2,143	2,251	2,367
Government (net)	177	152	137	173	194	224	264	314	364
Workers' remittances	989	999	1,042	1,050	1,098	1,149	1,203	1,262	1,327
Other (NGOs etc.)	718	726	738	738	746	746	746	746	746
Capital and Financial Accounts (excl. Reserves)	830	1,218	1,154	806	993	1,081	998	951	1,183
Capital account	199	182	153	149	153	157	162	167	173
Capital transfers (net)	199	182	153	149	153	157	162	167	173
General government	128	110	99	97	99	101	103	105	107
Other sectors	71	72	54	52	54	57	59	62	66
Financial account	-631	-1,036	-1,001	-656	-841	-923	-836	-784	-1,011
Direct investment (net)	-272	-342	-273	-319	-329	-334	-340	-350	-360
Assets	59	-4	0	10	10	10	10	10	10
Liabilities	331	338	273	329	339	344	350	360	370
Portfolio investment (net)	89	23	9	40	20	20	20	20	20
Other investment (net)	-448	-717	-737	-377	-532	-609	-516	-454	-671
Assets (net)	-386	-291	-260	-68	-120	-120	-120	-120	-120
Short-term	-401	-286	-273	-80	-70	-70	-70	-70	-70
Banks	-249	-35	-111	-10	-10	-10	-10	-10	-10
Other sectors, excl. government and central bank	-111	-176	-153	-60	-50	-50	-50	-50	-50
Medium and long-term	15	-6	13	12	-51	-51	-51	-51	-50
Banks	-6	-1	1	-1	-1	-1	-1	-1	-1
Other sectors, excl. government and central bank	21	-5	12	12	-50	-50	-50	-50	-50
Liabilities (net)	61	426	477	309	412	489	396	334	551
Short-term	334	238	253	187	176	180	162	162	169
General government	0	0	0	0	0	0	0	0	0
Banks	67	-35	21	12	16	16	17	18	19
Other sectors	267	273	232	175	160	164	145	144	150
Medium and long-term	-274	194	102	122	236	309	234	172	382
Monetary authority	0	0	0	0	0	0	0	0	0
General government	427	199	213	86	34	71	-22	-148	75
Disbursements of loans	508	290	338	397	393	363	358	358	358
Project	245	290	217	397	393	363	358	358	358
Budget	263	0	121	0	0	0	0	0	0
Amortization of loans	81	91	124	311	359	293	380	506	283
Banks	-558	-275	-139	8	115	118	126	133	132
Other sectors	-142	270	28	28	87	120	130	187	175
Errors and omissions	84	60	156	50	0	0	0	0	0
Overall balance	-132	17	-37	149	106	-31	12	-14	-277
Financing	132	-17	37	-149	-106	31	-12	14	277
Change in net international reserves ("+"=increase)	132	-17	37	125	154	31	-12	14	277
External financing gap				274	260				
IMF				174	96				
World Bank				0	38				
EU				100	0				
<i>Memorandum items</i>									
Current account balance (in percent of GDP)	-6.2	-9.9	-9.7	-7.5	-7.8	-7.0	-6.3	-5.5	-4.9
Trade balance (in percent of GDP)	-30.8	-32.5	-32.9	-31.2	-31.8	-30.7	-29.6	-28.3	-27.2
Import of goods (change, percent)	8.3	13.2	0.0	1.3	7.0	5.3	5.7	5.4	5.9
Export of goods (change, percent)	33.2	19.9	-1.9	8.6	7.6	9.3	9.1	9.0	9.0
Transfers (in percent of GDP)	14.2	13.6	14.0	14.1	14.0	13.7	13.4	13.1	12.9
Net foreign direct investment (in percent of GDP)	-2.1	-2.6	-2.1	-2.4	-2.3	-2.2	-2.1	-2.0	-2.0
External debt/GDP (in percent)	51.6	49.1	53.0	54.2	54.2	52.7	50.5	47.6	47.0
Private sector	26.3	23.1	25.1	24.6	25.1	25.0	24.8	24.6	24.3
Public sector	25.4	25.9	27.9	29.6	29.1	27.6	25.7	23.1	22.7
External debt service/GNFS exports (percent)	19.7	14.9	13.3	15.6	16.5	14.9	15.7	17.2	10.8
Gross official reserves (in millions of Euro)	3,303	3,285	3,326	3,450	3,604	3,635	3,623	3,637	3,914
(In months of prospective imports of goods and services)	5.4	5.4	5.4	5.2	5.2	4.9	4.7	4.4	4.5

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

1/. Based on BPM6.

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

	2010	2011	2012		2013		2014	2015	2016	2017	2018
			EBS/12/120	Est.	EBS/12/161	Proj.					
Revenue	46.5	46.1	46.5	46.3	46.3	46.6	46.1	45.9	45.9	45.9	45.9
Taxes	23.0	23.1	22.9	23.1	22.7	22.8	22.6	22.3	22.2	22.0	21.9
Direct taxes	3.6	3.5	3.6	3.6	3.6	3.7	3.7	3.7	3.7	3.7	3.7
Indirect taxes	19.4	19.5	19.3	19.5	19.0	19.1	18.9	18.6	18.5	18.3	18.2
Other taxes	0.0	0.1	0.0	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Social security contributions	15.4	15.8	15.7	15.8	15.4	15.7	15.8	15.8	15.8	15.8	15.8
Grants	2.5	2.1	2.1	2.1	2.2	2.1	2.1	2.2	2.3	2.5	2.6
Other revenue	5.6	5.1	5.8	5.3	6.1	6.0	5.6	5.6	5.6	5.5	5.5
Expenditure	50.6	48.9	49.5	49.0	48.4	48.6	48.0	47.2	46.7	46.4	45.9
Expense	42.6	42.7	43.1	42.8	41.8	41.7	41.3	40.5	39.9	39.4	39.0
Compensation of employees	12.8	13.0	13.1	13.1	12.4	12.6	12.3	12.0	11.9	12.0	11.9
Use of goods and services	10.1	10.6	10.6	10.8	10.6	10.7	10.6	10.6	10.4	10.4	10.4
Social benefits	14.9	14.6	14.6	14.6	14.4	14.4	14.4	14.2	13.9	13.7	13.6
Interest	0.6	0.6	0.9	0.8	0.9	0.9	0.9	0.8	0.8	0.7	0.6
Subsidies	1.7	1.7	1.6	1.6	1.5	1.4	1.4	1.4	1.3	1.2	1.1
Other expense	2.6	2.1	2.3	1.9	2.0	1.6	1.6	1.6	1.5	1.4	1.3
Net acquisition of nonfinancial assets	8.0	6.3	6.4	6.2	6.6	6.9	6.7	6.7	6.8	6.9	6.9
Acquisition of nonfinancial assets	8.0	6.4	6.7	6.4	7.1	7.1	6.9	6.8	6.9	7.0	7.0
Foreign financed capital spending	4.3	3.6	4.1	3.2	4.1	4.2	4.1	4.1	4.2	4.2	4.2
Domestically financed capital spending	3.7	2.7	2.6	3.2	3.0	2.8	2.8	2.7	2.8	2.8	2.8
Disposal of nonfinancial assets	0.0	0.1	0.3	0.2	0.5	0.1	0.1	0.1	0.1	0.1	0.1
Gross / Net Operating Balance (revenue minus expense)	3.8	3.4	3.4	3.6	4.6	5.0	4.8	5.5	6.0	6.4	6.9
Net lending/borrowing (revenue minus expenditure)	-4.2	-2.9	-3.0	-2.7	-2.0	-2.0	-1.9	-1.2	-0.8	-0.5	-0.1
Net acquisition of financial assets	0.1	-1.0	-0.1	0.6	-0.5	-0.3	0.4	0.9	1.2	1.1	2.4
Domestic assets	0.1	-0.5	-0.1	0.6	-0.4	-0.3	0.4	0.9	1.2	1.1	2.4
Currency and deposits	0.0	-1.1	-0.9	0.1	-1.2	-0.9	0.2	0.9	1.1	1.0	2.2
Debt securities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Loans	0.3	0.2	0.8	0.4	0.6	0.5	0.2	0.0	0.1	0.1	0.2
Equity and investment fund shares	-0.2	0.3	0.0	0.2	0.1	0.1	0.0	0.0	0.0	0.0	0.0
Insurance, pensions, and standardized guarantee schemes	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financial derivatives and employee stock options	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other accounts receivable	0.0	0.0	0.0	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Foreign assets	0.0	-0.5	0.0	0.0	-0.1	0.0	0.0	0.0	0.0	0.0	0.0
Net incurrence of liabilities	4.4	1.9	1.7	2.0	-0.2	-0.4	0.5	2.1	2.1	1.6	2.4
Domestic liabilities	1.4	0.7	-0.7	0.5	-0.8	-1.2	0.2	1.6	1.9	2.2	1.5
Currency and deposits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Debt securities	0.0	1.0	0.3	0.3	-0.1	-0.1	0.2	0.2	0.2	0.2	-0.2
Issuance	0.0	1.2	1.4	1.5	0.7	0.8	1.0	1.2	0.6	0.5	0.3
Amortization	0.0	0.2	-1.1	0.0	0.2	0.2	-0.1	-0.4	0.2	0.2	0.6
Government obligations under the Law on Internal Debt, issued guarantees, and other obligations from previous years	-0.6	-1.0	-1.1	-0.9	-1.0	-1.0	-0.8	-0.9	-0.8	-0.4	-0.2
Loans	2.2	0.5	0.6	0.7	0.4	0.6	1.0	2.3	2.5	2.5	2.0
Equity and investment fund shares	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Insurance, pensions, and standardized guarantee schemes	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financial derivatives and employee stock options	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other accounts payable	-0.3	0.2	-0.5	0.4	-0.1	-0.7	-0.1	0.0	0.0	0.0	0.0
Foreign liabilities	3.0	1.2	2.4	1.5	0.6	0.8	0.2	0.5	0.1	-0.6	0.9
Currency and deposits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Debt securities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Loans	3.0	1.2	2.4	1.5	0.6	0.8	0.2	0.5	0.1	-0.6	0.9
Drawings	3.9	2.1	3.6	2.8	3.0	3.1	2.8	2.4	2.5	2.3	2.2
Amortization	0.9	0.9	1.2	1.2	2.4	2.3	2.5	2.0	2.4	2.9	1.3
Equity and investment fund shares	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Insurance, pensions, and standardized guarantee schemes	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financial derivatives and employee stock options	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other accounts payable	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financing gap	0.0	0.0	1.3	1.2	1.7	2.0	1.8	0.0	0.0	0.0	0.0
Identified financing	0.0	0.0	1.3	0.9	1.7	2.0	1.0	0.0	0.0	0.0	0.0
IMF	0.0	0.0	0.9	0.9	1.4	1.3	0.7	0.0	0.0	0.0	0.0
WB	0.0	0.0	0.0	0.0	0.0	0.0	0.3	0.0	0.0	0.0	0.0
EU	0.0	0.0	0.4	0.0	0.4	0.7	0.0	0.0	0.0	0.0	0.0
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Unidentified financing	0.0	0.0	0.0	0.0	0.0	0.0	0.9	0.0	0.0	0.0	0.0
Statistical discrepancy	-0.2	-0.1	0.0	0.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Memorandum items											
Indirect revenues	19.4	19.5	19.3	19.5	19.0	19.1	18.9	18.6	18.5	18.3	18.2
Net lending excluding externally-financed operations	-2.3	-1.2	-0.9	-1.5	-0.1	0.3	0.1	0.7	1.0	1.3	1.6
Structural balance (% of potential GDP)	-4.0	-2.2	-1.7	-0.4	-0.2	0.3	0.6	0.5

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

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

(KM million)

	2010	2011	2012	2013								2014			
				Mar.		Jun.		Sep.		Dec.		Mar.	Jun.	Sep.	Dec.
				EBS/12/161	Prel.	EBS/12/161	Prel.	EBS/12/161	Proj.	EBS/12/161	Proj.				
Revenue	11516.2	11831.1	11883.4	2766.5	2609.6	5884.4	5658.3	9040.4	8922.0	12413.9	12258.9	2779.5	5954.2	9201.6	12660.7
Taxes	5693.1	5929.1	5923.6	1370.1	1294.8	2892.4	2787.2	4486.3	4409.4	6069.8	6001.1	1365.3	2937.0	4585.2	6206.4
Direct taxes	890.2	907.2	918.6	240.8	235.1	488.1	476.1	678.8	687.6	954.5	961.1	255.5	519.2	740.0	1003.9
Indirect taxes	4802.9	5004.6	4992.2	1127.4	1048.7	2401.0	2307.9	3802.5	3717.7	5100.6	5025.2	1106.5	2411.9	3836.5	5187.9
Other taxes	0.0	17.3	12.8	1.9	10.9	3.3	3.2	5.0	4.1	14.7	14.8	3.3	5.9	8.7	14.6
Social security contributions	3804.0	4046.3	4056.9	948.7	930.6	2015.8	1945.8	3006.4	3003.5	4134.2	4116.0	991.7	2078.2	3170.3	4344.4
Grants	622.9	536.4	541.2	156.1	109.9	324.6	267.8	498.6	480.4	576.8	552.1	159.8	321.9	485.2	584.2
Other revenue	1396.2	1319.4	1361.8	291.6	274.3	651.5	657.6	1049.1	1028.7	1633.0	1589.6	262.7	617.1	960.9	1525.7
Expenditure	12545.5	12563.2	12566.4	2893.9	2703.5	6059.8	5726.8	9386.6	9196.8	12961.1	12771.6	2913.1	6147.8	9504.8	13186.3
Expense	10563.9	10954.6	10967.6	2589.3	2440.7	5285.7	5076.1	8050.4	7841.9	11188.7	10951.4	2562.8	5360.3	8191.8	11336.0
Compensation of employees	3165.6	3337.3	3356.5	815.1	789.8	1614.4	1596.2	2409.9	2457.3	3311.6	3315.3	832.1	1668.9	2502.7	3384.6
Use of goods and services	2498.5	2711.4	2774.8	658.8	614.9	1348.3	1290.0	2036.6	2015.6	2833.5	2818.5	628.5	1334.3	2043.7	2913.7
Social benefits	3679.8	3749.9	3736.7	915.9	893.2	1829.5	1824.1	2820.4	2775.9	3854.1	3798.4	939.4	1916.1	2914.6	3962.1
Interest	150.0	164.7	193.2	42.6	37.7	109.7	95.6	152.9	155.6	245.1	230.4	48.9	125.3	176.3	256.8
Subsidies	426.1	440.7	414.5	94.7	32.3	203.7	97.3	312.2	186.1	407.7	376.3	51.1	157.5	261.2	382.4
Grants	0.0	10.2	18.1	2.0	0.9	4.0	6.0	7.0	11.0	12.0	18.5	0.9	2.5	15.1	19.3
Other expense	643.9	550.6	491.8	62.2	72.8	180.1	172.8	318.4	251.5	536.7	411.6	62.7	158.2	293.3	436.5
Net acquisition of nonfinancial assets	1981.6	1608.6	1598.9	304.6	262.8	774.1	650.7	1336.2	1354.9	1772.4	1820.2	350.3	787.5	1313.0	1850.3
Acquisition of nonfinancial assets	1981.6	1639.7	1641.2	312.3	268.0	790.0	662.9	1360.0	1377.4	1907.5	1853.7	358.1	803.3	1336.8	1884.3
Foreign financed capital spending	1060.6	934.3	820.8	231.6	130.4	469.3	381.7	738.4	861.9	1091.5	1112.1	283.2	567.1	862.4	1119.0
Domestically financed capital spending	921.0	705.4	820.4	80.7	137.6	320.7	281.2	621.6	515.5	816.1	741.6	74.8	236.2	474.5	765.3
Disposal of nonfinancial assets	0.0	31.1	42.3	7.7	5.2	15.9	12.2	23.8	22.5	135.1	33.5	7.8	15.8	23.8	34.1
Gross / Net Operating Balance (revenue minus expense)	952.4	876.6	915.9	177.1	168.8	598.7	582.2	990.0	1080.1	1225.2	1307.5	216.8	593.9	1009.8	1324.7
Net lending/borrowing (revenue minus expenditure)	-1029.2	-732.1	-683.0	-127.5	-93.9	-175.4	-68.5	-346.2	-274.8	-547.2	-512.7	-133.5	-193.6	-303.3	-525.6
Net acquisition of financial assets	29.2	-267.0	142.8	15.6	-92.8	-21.0	-1.1	-95.9	-169.6	-126.5	-75.4	-55.0	72.3	-10.3	106.4
Domestic assets	29.2	-132.0	142.8	30.9	-92.8	-5.2	-1.2	-80.1	-169.6	-109.4	-75.4	-55.0	72.3	-10.3	106.4
Currency and deposits	0.0	-276.2	14.4	-37.1	-104.8	-118.1	-32.2	-211.0	-298.7	-310.7	-242.5	1.0	59.7	4.3	50.0
Debt securities	0.0	0.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Loans	77.7	63.3	105.7	63.2	-0.4	90.2	18.9	101.3	108.9	173.6	141.2	-56.0	12.6	-14.6	51.4
Equity and investment fund shares	-48.5	71.0	43.3	4.9	3.0	22.7	4.0	29.6	20.2	27.7	25.9	0.0	0.0	0.0	5.0
Other accounts receivable	0.0	9.6	-20.6	0.0	9.4	0.0	8.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Foreign assets	0.0	-135.0	0.0	-15.3	0.0	-15.8	0.1	-15.8	0.0	-17.1	0.0	0.0	0.0	0.0	0.0
Net incurrence of liabilities	1096.7	484.6	519.7	62.3	-69.0	-7.0	-218.7	-12.1	-238.7	-40.3	-99.1	-15.7	3.9	31.0	130.6
Domestic liabilities	347.7	176.2	123.4	20.8	-64.5	12.7	-197.6	4.9	-320.0	-208.6	-307.3	-51.5	16.0	7.6	62.4
Debt securities	0.0	256.2	87.7	4.9	43.8	4.0	-18.7	-13.0	-3.3	-16.7	-23.5	0.9	4.4	32.8	57.4
Government obligations under the Law on Internal Debt, issued guarantees, and other obligations from previous years	-140.5	-261.0	-237.7	-76.0	-67.9	-88.7	-66.8	-217.7	-180.7	-267.7	-267.7	-73.3	-85.7	-200.3	-222.4
Loans	556.2	124.6	169.7	-6.5	-2.1	25.6	10.5	17.2	-1.4	103.5	163.7	20.9	97.3	175.1	264.8
Other accounts payable	-68.0	56.3	103.7	98.4	-38.2	71.9	-122.6	218.3	-134.6	-27.6	-179.9	0.0	0.0	0.0	-37.4
Foreign liabilities	749.0	308.5	396.3	41.6	-4.5	-19.7	-21.0	-16.9	81.3	168.3	208.2	35.8	-12.1	23.4	68.1
Debt securities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Loans	749.0	310.7	396.3	41.6	-4.5	-19.7	-21.0	-16.9	81.3	168.3	208.2	35.8	-12.1	23.4	68.1
Drawings	963.0	550.5	714.3	138.6	81.7	270.9	228.5	407.9	475.7	808.9	819.1	179.5	358.9	538.4	768.1
Amortization	214.0	239.8	318.0	97.1	86.2	290.6	249.6	424.8	394.4	640.6	610.9	143.7	371.0	515.0	700.0
Other accounts payable	0.0	-2.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financing gap	0.0	0.0	306.2	80.7	70.1	161.5	286.0	262.4	344.0	461.0	536.5	94.2	262.0	262.0	501.4
Identified financing	0.0	0.0	236.6	80.7	97.8	161.4	249.3	262.3	344.0	461.0	536.5	94.2	262.0	262.0	262.0
IMF	0.0	0.0	236.6	80.7	0.0	161.4	151.5	262.3	246.2	363.2	340.9	94.2	188.5	188.5	188.5
WB	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	73.5	73.5	73.5
EU	0.0	0.0	0.0	0.0	97.8	0.0	97.8	0.0	97.8	97.8	195.6	0.0	0.0	0.0	0.0
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Unidentified financing	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	239.4
Statistical discrepancy	-38.2	-19.6	69.6	0.0	-27.7	0.0	36.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Memorandum items															
Indirect revenues	4802.9	5004.6	4992.2	1127.4	1048.7	2401.0	2307.9	3802.5	3717.7	5100.6	5025.2	1106.5	2411.9	3836.5	5187.9
Net lending excluding externally-financed operations	-565.8	-314.1	-375.3	-50.9	-68.4	-24.6	58.4	-97.1	122.1	-17.1	71.5	-8.8	56.4	83.5	20.8

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

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

(KM million)

	2010	2011	2012	2013								2014			
				Mar.		Jun.		Sep.		Dec.		Mar.	Jun.	Sep.	Dec.
				EBS/12/161	Prel.	EBS/12/161	Prel.	EBS/12/161	Proj.	EBS/12/161	Proj.				
Revenue	885.4	848.3	924.4	193.1	207.7	445.8	467.1	676.3	700.1	923.2	941.4	208.4	456.2	688.8	930.9
Taxes	689.0	689.0	750.0	167.6	180.9	367.8	364.8	558.9	558.9	750.0	750.0	180.9	364.8	558.9	750.0
Direct taxes	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Indirect taxes	689.0	689.0	750.0	167.6	180.9	367.8	364.8	558.9	558.9	750.0	750.0	180.9	364.8	558.9	750.0
Other taxes	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Social security contributions	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Grants	22.0	17.7	21.7	0.7	3.1	5.0	8.4	5.8	12.0	7.2	16.0	0.2	1.2	1.6	2.9
Other revenue	174.4	141.6	151.7	24.8	23.7	73.0	93.5	111.6	128.6	166.0	172.9	27.2	90.2	128.3	178.0
Transfers from other general government units	0.0	1.2	1.1	0.0	0.0	0.0	0.4	0.0	0.6	0.0	2.5	0.0	0.0	0.0	0.0
Expenditure	972.7	898.7	882.1	208.4	202.1	461.5	415.9	697.6	636.0	950.0	924.6	206.9	426.1	659.9	950.0
Expense	904.5	877.3	844.5	200.1	195.8	415.0	399.7	630.5	605.0	877.9	858.1	203.2	417.3	633.9	883.6
Compensation of employees	634.0	648.4	628.3	160.6	155.2	317.0	312.2	476.3	472.0	636.2	636.0	163.8	323.3	485.7	645.0
Use of goods and services	204.7	179.3	162.4	35.0	34.7	80.7	75.2	128.3	110.0	193.7	187.0	35.4	81.8	130.1	199.4
Social benefits	0.0	38.5	11.5	0.6	0.5	5.8	1.6	8.8	2.3	11.5	4.0	0.1	1.1	1.6	2.0
Interest	0.5	0.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.5	0.0	0.0	0.0	0.0	0.7
Transfers to other general government units	-3.0	-1.2	19.5	0.0	0.0	0.0	0.5	0.0	0.6	0.0	1.0	0.0	0.0	0.0	0.0
Other expense	68.2	12.1	22.8	3.9	5.4	11.5	10.1	17.1	20.1	35.9	30.1	3.8	11.1	16.5	36.4
Net acquisition of nonfinancial assets	68.3	21.4	37.6	8.3	6.3	46.5	16.2	67.1	31.0	72.1	66.4	3.8	8.9	26.0	66.4
Acquisition of nonfinancial assets	68.3	21.9	45.3	8.3	6.4	46.5	16.5	67.1	31.5	72.8	67.2	3.8	8.9	26.0	66.8
Foreign financed capital spending	0.0	3.4	2.2	0.3	0.5	0.8	0.7	1.3	1.5	1.8	2.0	0.1	0.1	0.2	0.2
Domestically financed capital spending	68.3	18.5	43.0	7.9	5.9	45.7	15.8	65.8	30.0	71.0	65.2	3.7	8.7	25.8	66.6
Disposal of nonfinancial assets	0.0	0.6	7.7	0.0	0.1	0.0	0.3	0.0	0.5	0.7	0.7	0.0	0.0	0.0	0.4
Gross / Net Operating Balance (revenue minus expense)	-19.1	-29.0	79.9	-7.0	11.9	30.8	67.4	45.9	95.1	45.3	83.3	5.2	38.9	54.8	47.4
Net lending/borrowing (revenue minus expenditure)	-87.3	-50.4	42.3	-15.3	5.6	-15.7	51.2	-21.2	64.1	-26.8	16.8	1.4	30.0	28.9	-19.0
Net acquisition of financial assets	-17.5	-83.0	8.0	-15.3	17.0	-15.8	69.8	-15.8	73.9	-17.1	36.3	1.4	30.0	28.9	-19.0
Domestic assets	-17.5	52.0	8.0	0.0	17.0	0.0	69.8	0.0	73.9	0.0	36.3	1.4	30.0	28.9	-19.0
Currency and deposits	0.0	49.0	16.0	0.0	10.0	0.0	61.1	0.0	73.9	0.0	36.3	1.4	30.0	28.9	-19.0
Debt securities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Loans	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Equity and investment fund shares	-17.5	-1.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other accounts receivable	0.0	4.0	-8.0	0.0	7.0	0.0	8.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Foreign assets	0.0	-135.0	0.0	-15.3	0.0	-15.8	0.0	-15.8	0.0	-17.1	0.0	0.0	0.0	0.0	0.0
Net incurrence of liabilities	34.6	-34.1	-34.0	0.0	2.0	-0.1	9.5	5.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Domestic liabilities	36.7	-33.0	-34.0	0.0	2.0	-0.1	9.5	5.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Debt securities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Issuance	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Amortization	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Government obligations under the Law on Internal Debt, issued guarantees, and other obligations from previous years	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Loans	43.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other accounts payable	-7.0	-33.0	-34.0	0.0	2.0	-0.1	9.5	5.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Foreign liabilities	-2.1	-1.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Debt securities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Loans	-2.1	-1.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Drawings	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Amortization	2.1	1.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other accounts payable	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financing gap	0.0	0.0	0.0	0.0	9.4	0.0	9.1	0.0	9.8	9.8	19.6	0.0	0.0	0.0	0.0
Identified financing	0.0	0.0	0.0	0.0	9.8	0.0	9.8	0.0	9.8	9.8	19.6	0.0	0.0	0.0	0.0
IMF	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
WB	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EU	0.0	0.0	0.0	0.0	9.8	0.0	9.8	0.0	9.8	9.8	19.6	0.0	0.0	0.0	0.0
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Unidentified financing	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Statistical discrepancy	35.3	1.5	0.3	0.0	-0.4	0.0	-0.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Memorandum items															
Indirect revenues	689.0	689.0	750.0	167.6	180.9	367.8	364.8	558.9	558.9	750.0	750.0	180.9	364.8	558.9	750.0
Net lending excluding externally-financed operations	-87.3	-47.0	44.5	-15.0	6.1	-15.0	51.9	-20.0	65.6	-25.0	18.8	1.5	30.2	29.1	-18.8

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

Table 5b. Federation of Bosnia and Herzegovina: General Government Statement of Operations, 2010–14
(KM million)

	2010	2011	2012	2013								2014			
				Mar.		Jun.		Sep.		Dec.		Mar.	Jun.	Sep.	Dec.
				EBS/12/161	Prel.	EBS/12/161	Proj.	EBS/12/161	Proj.	EBS/12/161	Proj.				
Revenue	6938.4	6924.3	6896.6	1641.2	1548.4	3453.8	3304.0	5355.5	5252.3	7287.5	7171.6	1634.0	3476.1	5367.9	7415.5
Taxes	3161.2	3177.8	3130.8	737.2	688.5	1541.8	1478.5	2405.2	2385.7	3250.5	3245.2	734.0	1587.6	2481.8	3365.5
Direct taxes	529.5	468.8	472.9	133.4	130.4	263.1	246.2	365.6	366.6	507.2	507.0	142.1	279.8	388.5	529.4
Indirect taxes	2631.7	2700.2	2652.0	602.9	547.5	1277.1	1230.8	2037.3	2016.7	2732.3	2727.1	589.3	1303.1	2086.3	2824.7
Other taxes	0.0	8.9	5.8	0.9	10.5	1.6	1.5	2.3	2.3	11.0	11.1	2.6	4.7	7.1	11.5
Social security contributions	2615.5	2649.0	2670.6	630.5	636.5	1315.9	1303.9	1996.2	1965.5	2703.9	2681.8	655.3	1367.7	2074.8	2830.8
Foreign grants	401.8	350.1	354.1	108.7	62.4	226.1	170.2	352.5	336.4	382.4	360.2	111.3	223.9	338.4	390.4
Other revenue	759.8	747.4	741.1	164.9	161.1	370.0	351.5	601.7	564.7	950.7	884.5	133.4	296.9	472.8	828.8
Expenditure	7299.7	7315.2	7392.1	1745.1	1625.7	3590.1	3448.7	5525.8	5552.6	7691.9	7573.3	1780.9	3744.1	5719.0	7756.3
Expense	6280.8	6424.2	6419.7	1526.2	1445.0	3093.6	2996.6	4700.6	4641.7	6548.0	6420.5	1523.5	3204.8	4858.0	6633.8
Compensation of employees	1621.7	1675.5	1694.0	415.6	396.2	810.3	802.3	1207.0	1245.9	1696.3	1680.9	420.5	840.1	1262.4	1720.6
Use of goods and services	1457.5	1528.5	1559.1	390.8	353.9	784.9	738.6	1154.3	1153.0	1583.0	1574.2	365.7	776.4	1163.9	1624.8
Social benefits	2421.3	2467.4	2492.2	609.5	602.5	1214.1	1214.7	1874.1	1869.9	2519.7	2525.8	639.4	1292.2	1962.9	2619.4
Interest	92.1	96.6	105.5	21.5	20.7	55.6	50.3	78.6	89.6	128.2	130.1	28.3	73.7	103.4	143.6
Subsidies	261.2	250.5	256.3	50.9	21.4	119.8	68.4	175.9	130.7	241.9	241.9	35.0	116.8	166.5	247.0
Other expense	379.7	405.7	312.6	37.9	50.5	108.9	122.3	210.7	152.6	378.7	267.5	34.7	105.7	198.9	278.4
Net acquisition of nonfinancial assets	1018.9	891.1	972.3	218.9	180.6	496.5	452.0	825.2	910.9	1144.0	1152.8	257.4	539.3	861.0	1122.5
Acquisition of nonfinancial assets	1018.9	898.6	983.2	220.0	181.7	500.2	456.3	831.9	917.5	1201.2	1163.1	258.7	543.4	868.5	1133.2
Foreign financed capital spending	700.1	636.3	530.8	177.6	83.1	360.3	264.9	553.0	666.0	818.3	806.3	220.3	440.7	661.0	782.7
Domestically financed capital spending	318.8	262.3	452.4	42.4	98.7	139.9	191.4	278.9	251.5	382.9	356.7	38.4	102.8	207.5	350.5
Disposal of nonfinancial assets	0.0	7.6	10.9	1.1	1.1	3.7	4.2	6.7	6.6	57.2	10.2	1.3	4.2	7.5	10.7
Gross / Net Operating Balance (revenue minus expense)	657.5	486.9	476.9	115.0	103.4	360.2	307.4	654.9	610.6	739.6	751.1	110.5	271.3	509.9	781.7
Net lending/borrowing (revenue minus expenditure)	-361.3	-404.2	-495.5	-103.9	-77.3	-136.3	-144.6	-170.3	-300.2	-404.4	-401.7	-146.9	-268.0	-351.1	-340.8
Net acquisition of financial assets	-44.2	-288.4	-26.2	-22.3	-125.6	-78.4	-82.2	-149.3	-321.6	-220.3	-312.4	-83.7	-71.3	-149.9	-51.9
Domestic assets	-44.2	-288.4	-26.2	-22.3	-125.6	-78.4	-82.2	-149.3	-321.6	-220.3	-312.4	-83.7	-71.3	-149.9	-51.9
Currency and deposits	0.0	-213.0	22.0	-22.6	-117.8	-78.9	-71.3	-151.9	-331.6	-219.6	-286.8	4.9	-11.0	-51.4	-9.7
Debt securities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Loans	-38.4	-69.2	-48.1	-0.1	-7.8	-0.2	-10.7	-0.3	6.8	6.4	-29.9	-88.6	-60.3	-98.5	-47.1
Equity and investment fund shares	-5.8	-6.2	-0.1	0.3	0.0	0.6	-0.3	3.0	3.2	-7.0	4.3	0.0	0.0	0.0	5.0
Insurance, pensions, and standardized guarantee schemes	0.0	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financial derivatives and employee stock options	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other accounts receivable	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Foreign assets	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net incurrence of liabilities	374.5	199.0	177.3	27.7	-72.1	-49.7	-147.3	-154.0	-270.2	-116.7	-252.7	0.3	22.0	26.2	-84.5
Domestic liabilities	-116.8	49.5	29.0	23.9	-78.7	5.8	-163.1	-78.5	-349.5	-139.9	-315.9	-17.6	48.2	34.7	-21.3
Debt securities	0.0	89.7	101.6	4.9	29.7	5.3	-29.9	-11.7	-0.7	40.0	-0.8	0.0	0.0	25.0	30.0
Government obligations under the Law on Internal Debt, issued guarantees, and other obligations from previous years	-77.4	-95.1	-112.1	-36.2	-30.7	-37.0	-32.1	-146.7	-102.5	-175.9	-175.9	-55.9	-53.4	-140.4	-146.2
Loans	21.5	6.0	-13.7	4.1	-5.8	35.2	-6.4	38.3	-32.7	23.4	-33.0	38.3	101.6	150.1	132.3
Equity and investment fund shares	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Insurance, pensions, and standardized guarantee schemes	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financial derivatives and employee stock options	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other accounts payable	-60.9	48.9	53.3	51.1	-71.9	2.3	-94.7	41.6	-213.5	-27.5	-106.3	0.0	0.0	0.0	-37.4
Foreign liabilities	491.3	149.5	148.3	3.8	6.6	-55.5	15.8	-75.4	79.3	23.3	63.2	17.9	-26.2	-8.5	-63.2
Currency and deposits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Debt securities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Loans	491.3	151.7	148.3	3.8	6.6	-55.5	15.8	-75.4	79.3	23.3	63.2	17.9	-26.2	-8.5	-63.2
Drawings	624.7	295.3	347.7	69.3	60.5	135.4	165.6	203.9	333.0	447.8	458.0	110.2	220.3	330.5	400.9
Amortization	133.4	143.6	199.4	65.5	53.9	191.0	149.8	279.4	253.7	424.5	394.7	92.3	246.6	339.0	464.1
Equity and investment fund shares	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Insurance, pensions, and standardized guarantee schemes	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financial derivatives and employee stock options	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other accounts payable	0.0	-2.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Statistical discrepancy / financing gap	-57.4	-83.2	292.0	53.8	23.8	107.6	209.7	174.9	248.9	300.8	342.1	62.8	174.7	175.1	373.3

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

Table 5c. Federation of Bosnia and Herzegovina: Central Government Statement of Operations, 2010–14

(KM million)

	2010	2011	2012	2013								2014			
				Mar.		Jun.		Sep.		Dec.		Mar.	Jun.	Sep.	Dec.
				EBS/12/161	Prel.	EBS/12/161	Prel.	EBS/12/161	Proj.	EBS/12/161	Proj.				
Revenue	1830.7	1670.1	1809.1	434.5	337.4	982.3	879.6	1532.5	1454.0	2042.9	2003.5	445.3	1001.4	1546.0	2019.2
Taxes	1218.2	1137.5	1171.3	290.6	254.5	637.1	591.0	978.6	943.2	1342.7	1322.3	304.2	679.7	1031.7	1409.9
Direct taxes	95.4	46.6	47.1	24.4	23.0	34.2	29.3	40.4	41.6	51.7	51.7	26.5	37.1	43.9	53.5
Indirect taxes	1122.8	1090.8	1124.1	266.2	231.5	602.9	561.6	938.3	901.6	1291.1	1270.5	277.8	642.6	987.8	1356.5
Other taxes	0.0	0.2	0.1	0.0	0.0	0.0	0.0	0.0	0.1	0.0	0.1	0.0	0.0	0.0	0.0
Social security contributions	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Grants	398.1	341.3	347.7	108.3	60.5	224.9	165.6	349.0	333.0	374.1	351.9	110.2	220.3	330.5	381.8
Other revenue	214.4	191.3	290.1	35.7	22.4	120.3	123.0	204.8	177.8	326.2	329.3	30.9	101.4	183.8	227.5
Expenditure	2074.8	1952.9	1881.8	493.1	346.6	1004.5	819.1	1537.8	1564.6	2204.1	2150.3	495.9	1132.8	1672.5	2147.8
Expense	1339.6	1372.0	1377.7	319.6	267.4	669.5	558.1	1018.5	964.5	1436.2	1420.5	281.1	704.8	1057.5	1427.6
Compensation of employees	220.0	239.7	226.1	57.6	55.7	114.4	111.1	170.6	172.6	237.8	228.1	59.2	117.6	175.5	237.8
Use of goods and services	85.7	67.0	66.7	35.0	10.9	45.0	24.6	58.9	37.9	93.1	86.6	10.6	29.2	48.6	81.5
Social benefits	480.5	468.7	460.5	107.1	108.9	216.0	216.7	350.4	344.2	456.1	462.4	110.4	242.7	360.4	468.6
Interest	81.4	84.7	91.8	19.1	17.6	49.7	43.7	69.5	79.1	110.1	110.1	24.1	63.6	88.6	122.5
Subsidies	131.9	115.5	128.6	26.2	3.7	70.0	24.8	100.0	54.8	130.5	130.5	14.2	75.7	103.9	130.5
Transfers to other general government units	276.8	327.6	308.6	62.4	58.9	139.7	117.4	192.9	219.6	272.1	339.0	60.1	150.9	222.2	320.1
Other expense	63.2	69.0	95.4	12.3	11.8	34.8	19.9	76.2	56.4	136.5	63.8	2.5	25.2	58.3	66.7
Net acquisition of nonfinancial assets	735.1	580.9	504.1	173.5	79.2	335.0	261.0	519.2	600.1	767.9	729.8	214.8	428.0	615.0	720.1
Acquisition of nonfinancial assets	735.1	580.9	505.7	173.5	79.2	335.0	261.0	519.2	600.1	767.9	729.8	214.8	428.0	615.0	720.1
Foreign financed capital spending	652.1	567.2	494.4	166.8	78.9	307.1	259.8	474.3	578.1	714.2	699.8	210.6	416.8	599.3	688.8
Domestically financed capital spending	83.1	13.7	11.2	6.7	0.4	27.9	1.2	44.9	22.0	53.7	30.0	4.2	11.2	15.7	31.4
Disposal of nonfinancial assets	0.0	0.0	1.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Gross / Net Operating Balance (revenue minus expense)	491.1	298.0	431.4	115.0	70.0	312.8	321.4	513.9	489.5	606.7	583.0	164.2	296.6	488.5	591.5
Net lending/borrowing (revenue minus expenditure)	-244.1	-282.8	-72.7	-58.6	-9.2	-22.2	60.5	-5.3	-110.7	-161.2	-146.8	-50.6	-131.4	-126.5	-128.6
Net acquisition of financial assets	-26.5	-238.0	48.1	-20.6	-77.7	-41.3	-52.7	-59.9	-83.3	-109.0	-97.1	-42.2	-61.1	-145.4	-61.7
Domestic assets	-26.5	-238.0	48.1	-20.6	-77.7	-41.3	-52.7	-59.9	-83.3	-109.0	-97.1	-42.2	-61.1	-145.4	-61.7
Currency and deposits	0.0	-162.6	87.0	0.0	-71.6	0.0	-41.8	0.0	-37.0	-27.0	-33.7	-42.2	-60.9	-101.0	0.0
Debt securities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Loans	-38.5	-69.7	-39.9	-21.0	-6.1	-41.9	-11.4	-62.9	-49.5	-74.9	-67.6	0.0	-0.3	-44.4	-66.7
Equity and investment fund shares	12.0	-5.6	1.0	0.3	0.0	0.6	0.6	3.0	3.2	-7.1	4.3	0.0	0.0	0.0	5.0
Insurance, pensions, and standardized guarantee schemes	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financial derivatives and employee stock options	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other accounts receivable	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Foreign assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net incurrence of liabilities	171.7	69.8	-33.3	-15.9	-121.8	-126.7	-217.9	-229.5	-195.5	-248.7	-294.9	-54.4	-104.4	-193.6	-306.5
Domestic liabilities	-271.5	-8.2	13.5	-9.1	-87.1	-126.7	-165.5	-76.2	-187.7	-166.5	-250.3	-63.0	-55.4	-125.2	-151.6
Debt securities	0.0	89.0	100.4	4.9	29.7	5.3	-29.7	-11.8	-0.8	40.0	-0.8	0.0	0.0	25.0	30.0
Issuance	0.0	89.0	248.6	29.7	29.7	39.5	29.7	39.5	79.2	120.0	79.2	30.0	50.0	100.0	150.0
Amortization	0.0	0.0	-148.3	-24.7	0.0	-34.2	-59.4	-51.3	-80.0	-80.0	-80.0	-30.0	-50.0	-75.0	-120.0
Government obligations under the Law on Internal Debt, issued guarantees, and other obligations from previous years	-72.9	-93.3	-110.2	-33.7	-30.7	-34.2	-32.0	-143.4	-102.0	-174.0	-174.0	-52.8	-53.2	-139.4	-144.2
Loans	-95.5	-8.8	-5.6	0.0	0.0	0.0	-2.1	0.0	-3.2	-5.0	-5.0	-10.2	-2.2	-10.8	0.0
Equity and investment fund shares	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Insurance, pensions, and standardized guarantee schemes	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financial derivatives and employee stock options	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other accounts payable	-102.2	4.9	28.9	19.7	-86.1	10.4	-101.7	79.0	-81.7	-27.5	-70.4	0.0	0.0	0.0	-37.4
Foreign liabilities	443.2	78.0	-46.8	-6.8	-34.7	-108.2	-52.4	-153.3	-7.8	-82.1	-44.6	8.6	-49.0	-68.4	-154.9
Debt securities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Loans	443.2	78.0	-46.8	-6.8	-34.7	-108.2	-52.4	-153.3	-7.8	-82.1	-44.6	8.6	-49.0	-68.4	-154.9
Drawings	576.7	226.0	146.8	58.5	18.4	82.3	94.2	125.3	245.1	340.2	348.0	100.5	196.4	268.8	307.0
For budget support	322.7	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
For investment projects	254.0	225.9	146.8	58.5	18.4	82.3	94.2	125.3	245.1	340.2	348.0	100.5	196.4	268.8	307.0
Amortization	133.4	148.0	193.6	65.3	53.1	190.5	146.7	278.6	252.9	422.3	392.6	91.9	245.4	337.2	461.9
Equity and investment fund shares	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Insurance, pensions, and standardized guarantee schemes	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financial derivatives and employee stock options	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other accounts payable	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financing gap	0.0	0.0	157.7	53.8	53.4	107.6	104.8	174.9	222.8	300.8	344.6	62.8	174.7	174.7	373.4
Identified financing	0.0	0.0	157.7	53.8	58.7	107.6	159.7	174.9	222.8	300.8	344.6	62.8	174.7	174.7	373.4
IMF	0.0	0.0	157.7	53.8	0.0	107.6	101.0	174.9	164.1	242.1	227.2	62.8	125.7	125.7	125.7
WB	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	49.0	49.0	49.0
EU	0.0	0.0	0.0	0.0	58.7	0.0	58.7	0.0	58.7	117.4	0.0	0.0	0.0	0.0	0.0
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Unidentified financing	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	198.7
Statistical discrepancy	45.8	-25.0	-3.6	0.0	-5.3	0.0	-54.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Memorandum items															
Indirect revenues	1122.8	1090.8	1124.1	266.2	231.5	602.9	561.6	938.3	901.6	1291.1	1270.5	277.8	642.6	987.8	1356.5
Net lending excluding externally-financed operations	9.9	-57.0	74.1	0.0	9.1	60.0	154.7	120.0	134.5	179.0	201.1	49.8	65.1	142.3	178.4

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

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

(KM million)

	2010	2011	2012	2013								2014			
				Mar.		Jun.		Sep.		Dec.		Mar.	Jun.	Sep.	Dec.
				EBS/12/161	Prel.	EBS/12/161	Prel.	EBS/12/161	Proj.	EBS/12/161	Proj.				
Revenue	3417.7	3872.6	3821.6	884.0	805.0	1885.3	1772.7	2843.3	2774.5	3948.2	3885.8	889.3	1919.7	2946.3	4042.8
Taxes	1638.5	1881.6	1858.9	424.2	387.2	895.7	859.4	1381.6	1322.8	1886.0	1820.2	410.5	896.6	1401.9	1898.3
Direct taxes	304.4	421.6	423.0	102.7	99.5	215.0	219.6	295.5	298.7	429.0	430.9	108.6	229.0	333.1	450.4
Indirect taxes	1334.1	1452.4	1430.2	320.8	287.5	679.6	638.4	1084.2	1023.1	1454.2	1387.0	301.6	667.1	1068.0	1446.2
Other taxes	0.0	7.5	5.7	0.7	0.2	1.1	1.3	1.9	1.0	2.7	2.4	0.3	0.5	0.8	1.8
Social security contributions	1154.0	1365.7	1350.6	318.2	288.3	699.9	625.1	1010.2	1009.9	1400.9	1397.8	335.8	709.1	1066.1	1475.5
Grants	199.1	174.9	165.4	46.8	44.4	93.5	89.2	140.3	132.0	187.0	175.9	48.4	96.8	145.1	190.9
Other revenue	426.1	460.7	446.7	94.7	85.0	196.2	199.1	311.2	309.8	474.3	491.8	94.6	217.3	333.2	478.1
Expenditure	4066.2	4132.3	4119.9	895.7	843.5	1922.1	1770.6	3018.1	2868.5	4056.6	4059.7	899.5	1910.2	2977.7	4220.8
Expense	3175.8	3443.8	3536.2	823.2	767.6	1702.9	1594.3	2596.6	2473.5	3532.7	3481.2	810.4	1679.6	2565.5	3582.8
Compensation of employees	829.1	934.1	952.5	218.8	217.2	446.8	439.0	666.2	677.2	891.9	914.7	227.3	463.9	691.6	934.1
Use of goods and services	757.9	928.1	978.7	223.1	214.8	462.7	448.6	714.0	687.6	970.4	980.8	223.6	463.9	705.6	1009.6
Social benefits	1225.4	1211.9	1232.9	299.7	293.4	602.0	605.9	928.5	926.2	1289.3	1268.6	299.9	622.9	950.1	1302.1
Interest	57.4	67.4	87.2	20.4	16.9	53.7	45.1	74.1	65.4	115.6	99.4	20.3	51.3	72.2	111.9
Subsidies	158.0	180.1	146.4	42.7	9.2	82.0	21.4	130.3	49.4	155.6	122.3	16.0	38.8	83.3	122.8
Other expense	148.0	122.2	138.3	18.5	16.1	55.8	34.3	83.6	67.8	110.0	95.5	23.4	38.8	62.8	102.3
Net acquisition of nonfinancial assets	890.5	688.5	583.7	72.4	75.9	219.2	176.2	421.5	395.0	523.9	578.5	89.1	230.6	412.1	637.9
Acquisition of nonfinancial assets	890.5	711.4	607.5	79.0	79.8	231.4	183.9	438.6	410.4	601.1	601.0	95.6	242.3	428.5	660.9
Foreign financed capital spending	360.5	294.5	287.7	53.6	46.9	108.2	116.1	184.1	194.4	271.3	303.8	62.9	126.3	201.2	336.1
Domestically financed capital spending	530.0	416.9	319.8	25.4	33.0	123.2	67.8	254.5	216.0	329.7	297.3	32.7	116.0	227.3	324.8
Disposal of nonfinancial assets	0.0	22.9	23.8	6.6	4.0	12.2	7.6	17.1	15.4	77.2	22.5	6.5	11.6	16.3	22.9
Gross / Net Operating Balance (revenue minus expense)	242.0	428.8	285.5	60.7	37.4	182.4	178.4	246.7	301.0	415.5	404.6	78.9	240.1	380.8	460.0
Net lending/borrowing (revenue minus expenditure)	-648.5	-259.7	-298.2	-11.7	-38.5	-36.8	2.2	-174.8	-94.1	-108.4	-173.9	-10.3	9.5	-31.4	-178.0
Net acquisition of financial assets	120.1	94.2	173.1	54.1	15.9	69.9	11.5	64.4	76.6	127.9	161.5	12.6	94.4	100.0	134.3
Domestic assets	120.1	94.2	173.1	54.1	15.9	69.9	11.5	64.4	76.6	127.9	161.5	12.6	94.4	100.0	134.3
Currency and deposits	0.0	-113.9	-23.6	-13.7	3.1	-42.5	-21.9	-63.9	-43.2	-77.0	-32.5	-20.1	21.5	15.7	34.5
Debt securities	0.0	0.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Loans	116.1	106.7	154.1	63.2	7.5	90.3	29.9	101.6	102.8	170.1	172.4	32.6	72.9	84.3	99.8
Equity and investment fund shares	4.0	78.2	43.4	4.6	3.0	22.1	4.3	26.6	17.0	34.7	21.6	0.0	0.0	0.0	0.0
Insurance, pensions, and standardized guarantee schemes	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financial derivatives and employee stock options	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other accounts receivable	0.0	5.6	-0.9	0.0	2.4	0.0	-0.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Foreign assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net incurrence of liabilities	711.8	326.1	384.6	38.9	3.6	52.9	-75.7	151.8	59.2	85.8	163.2	-8.6	-2.3	44.0	184.4
Domestic liabilities	452.0	166.1	136.6	1.2	14.7	17.1	-38.8	93.3	57.2	-59.2	18.2	-26.5	-16.4	12.2	53.1
Debt securities	0.0	166.5	-13.8	0.0	14.0	-1.3	11.2	-1.3	-2.5	-56.8	-22.7	0.9	4.4	7.8	27.4
Issuance	0.0	207.7	128.7	24.6	76.3	67.0	117.9	67.0	117.9	67.0	117.9	25.0	50.0	75.0	116.2
Amortization	0.0	41.2	-142.6	24.6	62.2	68.3	106.7	68.3	120.5	123.8	140.6	24.1	45.6	67.2	88.8
Government obligations under the Law on Internal Debt, issued guarantees, and other obligations from previous years	-58.1	-159.6	-117.4	-39.8	-37.2	-51.8	-34.7	-71.0	-68.8	-82.4	-82.4	-17.4	-32.3	-49.8	-66.2
Loans	510.3	117.7	183.5	-10.6	3.7	-9.6	16.9	-21.0	41.4	80.0	196.8	-10.0	11.5	54.2	91.8
Equity and investment fund shares	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Insurance, pensions, and standardized guarantee schemes	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financial derivatives and employee stock options	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other accounts payable	-0.2	40.5	84.4	51.5	34.1	79.8	-32.2	186.6	87.2	-0.1	-73.6	0.0	0.0	0.0	0.0
Foreign liabilities	259.8	160.0	248.0	37.7	-11.1	35.8	-36.8	58.5	2.0	145.0	145.0	17.9	14.1	31.9	131.3
Debt securities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Loans	259.8	160.0	248.0	37.7	-11.1	35.8	-36.8	58.5	2.0	145.0	145.0	17.9	14.1	31.9	131.3
Drawings	338.3	255.1	366.6	69.3	21.2	135.4	63.0	203.9	142.7	361.1	361.1	69.3	138.6	207.9	367.2
For budget support	176.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
For investment projects	161.5	255.1	366.6	69.3	21.2	135.4	63.0	203.9	142.7	361.1	361.1	69.3	138.6	207.9	367.2
Amortization	78.4	95.1	118.7	31.6	32.3	99.6	99.8	145.4	140.7	216.1	216.1	51.4	124.5	176.0	235.8
Equity and investment fund shares	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Insurance, pensions, and standardized guarantee schemes	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financial derivatives and employee stock options	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other accounts payable	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Statistical discrepancy / financing gap	56.8	27.7	86.7	26.9	50.9	53.8	85.0	87.4	111.4	150.5	172.3	31.4	87.3	87.4	127.8

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

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

	2010	2011	2012	2013												2014			
				Mar.		Jun.		Sep.		Dec.		Mar.	Jun.	Sep.	Dec.				
				EBS/12/161	Prel.	EBS/12/161	Prel.	EBS/12/161	Proj.	EBS/12/161	Proj.								
Revenue	1630.0	1879.3	1846.3	414.2	398.0	871.9	863.5	1345.6	1288.3	1861.7	1844.0	416.5	898.4	1385.9	1885.1				
Taxes	1252.5	1440.0	1437.3	323.3	301.6	691.3	676.6	1050.6	1004.9	1426.9	1391.5	320.1	700.1	1080.3	1459.7				
Direct taxes	246.7	340.3	345.1	86.6	82.9	179.6	180.4	239.6	243.4	334.6	351.1	91.9	192.4	275.3	366.9				
Indirect taxes	1005.8	1094.7	1088.2	236.3	218.6	511.1	495.1	809.9	761.2	1091.0	1039.7	228.2	507.7	805.0	1092.8				
Other taxes	0.0	5.0	4.1	0.4	0.1	0.6	1.1	1.1	0.2	1.3	0.7	0.0	0.0	0.0	0.0				
Social security contributions	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0				
Grants	199.1	170.6	153.6	46.8	44.0	93.5	88.0	140.3	132.0	187.0	175.9	48.4	96.8	145.1	190.9				
Other revenue	178.5	268.7	255.0	44.1	51.0	87.1	98.8	154.6	151.5	247.8	276.6	48.0	101.5	160.4	234.4				
Expenditure	2069.0	2012.0	1916.4	407.6	378.4	871.4	783.1	1334.0	1241.2	1804.2	1801.5	393.1	838.8	1298.0	1897.5				
Expense	1547.1	1729.8	1672.7	355.9	326.3	744.0	682.3	1143.0	1060.2	1534.7	1566.2	331.2	700.4	1082.3	1585.3				
Compensation of employees	620.3	713.4	722.6	164.9	163.7	332.1	328.6	493.0	502.9	659.7	679.0	171.9	346.3	514.1	694.1				
Use of goods and services	93.1	163.1	150.6	19.9	21.5	55.9	52.6	108.7	91.5	155.5	143.6	20.6	57.9	101.9	162.0				
Social benefits	206.7	275.9	247.7	60.9	51.0	103.5	104.3	169.5	155.2	255.0	239.7	49.1	101.4	155.9	242.1				
Interest	36.2	46.0	64.6	15.8	12.6	42.2	32.0	56.9	44.8	83.4	71.8	14.6	37.0	50.7	83.1				
Subsidies	157.9	165.6	128.8	30.0	7.0	60.0	17.2	92.6	42.6	114.2	109.2	6.4	22.4	55.1	109.2				
Transfers to other general government units	350.7	304.4	284.5	61.0	65.1	125.0	136.0	189.2	200.3	254.8	257.8	61.2	124.9	188.8	258.1				
Other expense	82.1	61.4	73.8	3.4	5.4	25.3	11.5	33.1	22.8	43.7	33.7	7.3	10.5	15.8	36.9				
Net acquisition of nonfinancial assets	521.9	282.2	243.7	51.7	52.2	127.5	100.8	191.0	181.0	238.0	266.9	62.0	138.4	215.7	312.2				
Acquisition of nonfinancial assets	521.9	292.7	251.4	52.7	53.3	130.9	103.5	195.6	184.0	292.7	272.9	62.7	140.9	219.1	317.9				
Foreign financed capital spending	302.7	200.2	194.7	50.2	46.9	103.0	90.9	158.7	161.9	249.5	238.5	57.1	117.6	181.9	267.8				
Domestically financed capital spending	219.2	92.5	56.7	2.5	6.4	27.9	12.6	36.9	22.1	43.2	34.4	5.6	23.3	37.2	50.1				
Disposal of nonfinancial assets	0.0	10.5	7.7	1.0	1.1	3.4	2.7	4.6	3.0	54.7	6.0	0.7	2.5	3.4	5.7				
Gross / Net Operating Balance (revenue minus expense)	82.9	149.5	173.6	58.2	71.7	127.9	181.2	202.6	228.1	295.5	309.3	85.3	198.0	303.5	299.7				
Net lending/borrowing (revenue minus expenditure)	-439.0	-132.8	-70.1	6.6	19.5	0.5	80.3	11.6	47.1	57.5	42.5	23.4	59.6	87.8	-12.5				
Net acquisition of financial assets	121.4	217.6	344.0	37.0	37.7	63.6	52.1	68.0	52.7	106.7	129.7	43.4	129.0	149.0	116.5				
Domestic assets	121.4	217.6	344.0	37.0	37.7	63.6	52.1	68.0	52.7	106.7	129.7	43.4	129.0	149.0	116.5				
Currency and deposits	0.0	-127.6	-33.8	-21.9	23.1	-21.9	-5.2	-21.9	-23.5	-36.4	0.3	-13.2	13.4	12.1	-5.0				
Debt securities	0.0	0.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0				
Loans	117.4	282.1	322.7	54.3	11.6	63.4	54.0	63.3	59.2	108.4	107.8	56.6	115.6	136.9	121.5				
Equity and investment fund shares	4.0	75.4	43.4	4.6	3.0	22.1	4.3	26.6	17.0	34.7	21.6	0.0	0.0	0.0	0.0				
Insurance, pensions, and standardized guarantee schemes	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0				
Financial derivatives and employee stock options	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0				
Other accounts receivable	0.0	-12.6	11.7	0.0	0.0	0.0	-1.0	0.0	0.0	0.0	0.0	0.0	-1.0	0.0	0.0				
Foreign assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0				
Net incurrence of liabilities	576.9	343.1	329.5	3.5	-31.7	9.3	-110.0	-31.0	-105.7	-101.2	-85.1	-11.4	-18.0	-26.2	1.1				
Domestic liabilities	374.9	177.7	129.1	-34.3	-21.6	-26.5	-61.4	-89.5	-107.7	-156.2	-140.1	-29.3	-32.1	-58.1	-40.2				
Debt securities	0.0	161.3	-14.1	0.0	14.6	-1.3	12.5	-1.3	-2.5	-56.8	-22.7	0.9	4.4	7.8	27.4				
Issuance	0.0	196.9	125.0	24.6	76.3	67.0	117.9	67.0	117.9	67.0	117.9	25.0	50.0	75.0	116.2				
Amortization	0.0	35.6	139.1	24.6	61.7	68.3	105.4	68.3	120.5	123.8	140.6	24.1	45.6	67.2	88.8				
Government obligations under the Law on Internal Debt, issued guarantees, and other obligations from previous years	-58.1	-88.5	-66.5	-38.7	-31.3	-50.0	-2.6	-67.8	-67.8	-77.4	-77.4	-17.0	-31.6	-48.7	-60.5				
Loans	461.3	73.0	148.4	-11.1	-5.9	-10.6	8.7	-22.5	-1.4	-22.0	-22.0	-13.2	-4.8	-17.3	-7.2				
Equity and investment fund shares	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0				
Insurance, pensions, and standardized guarantee schemes	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0				
Financial derivatives and employee stock options	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0				
Other accounts payable	-28.3	31.9	61.4	15.6	1.0	35.4	-80.0	2.0	-36.0	0.0	0.0	0.0	0.0	0.0	0.0				
Foreign liabilities	202.0	165.3	200.4	37.7	-10.1	35.8	-48.6	58.5	2.0	55.0	55.0	17.9	14.1	31.9	41.3				
Debt securities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0				
Loans	202.0	165.3	200.4	37.7	-10.1	35.8	-48.6	58.5	2.0	55.0	55.0	17.9	14.1	31.9	41.3				
Drawings	280.5	255.9	312.3	69.3	20.4	135.4	48.1	203.9	142.7	271.1	271.1	69.3	138.6	207.9	277.2				
For budget support	176.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0				
For investment projects	103.7	255.9	312.3	69.3	20.4	135.4	48.1	203.9	142.7	271.1	271.1	69.3	138.6	207.9	277.2				
Amortization	78.4	90.6	111.9	31.6	30.5	99.6	96.7	145.4	140.7	216.1	216.1	51.4	124.5	176.0	235.8				
Equity and investment fund shares	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0				
Insurance, pensions, and standardized guarantee schemes	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0				
Financial derivatives and employee stock options	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0				
Other accounts payable	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0				
Financing gap	0.0	0.0	78.9	26.9	49.8	53.8	81.7	87.4	111.4	150.4	172.3	31.4	87.3	87.4	127.8				
Identified financing	0.0	0.0	78.9	26.9	29.3	53.8	79.8	87.4	111.4	150.4	172.3	31.4	87.3	87.3	127.8				
IMF	0.0	0.0	78.9	26.9	0.0	53.8	50.5	87.4	82.1	121.1	113.6	31.4	62.8	62.8	62.8				
WB	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	24.5	24.5	24.5				
EU	0.0	0.0	0.0	0.0	29.3	0.0	29.3	0.0	29.3	29.3	58.7	0.0	0.0	0.0	0.0				
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0				
Unidentified financing	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	40.5				
Statistical discrepancy	-16.5	7.3	5.8	0.0	20.5	0.0	1.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0				
Memorandum items																			
Indirect revenues	1005.8	1094.7	1088.2	236.3	218.6	511.1	495.1	809.9	761.2	1091.0	1039.7	228.2	507.7	805.0	1092.8				
Net lending excluding externally-financed operations	-335.3	-103.1	-29.0	10.0	22.4	10.0	83.3	30.0	77.0	120.0	105.0	32.1	80.5	124.6	64.5				

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

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

	2010	2011	2012	2013	2014
	Dec	Dec	Dec	Dec	Proj.
	(Million KM, end of period)				
Net foreign assets	4,518	4,999	5,092	5,297	5,341
Foreign assets	9,302	9,177	9,040	9,284	9,585
Foreign liabilities	4,784	4,177	3,947	3,987	4,243
Net domestic assets	9,110	9,420	9,821	10,161	10,814
Domestic credit	13,494	14,683	15,415	15,777	16,418
Claims on general government (net)	-726	-117	204	211	85
Claims on nongovernment	14,219	14,800	15,211	15,566	16,333
Other items (net)	-4,383	-5,263	-5,594	-5,616	-5,604
Broad money (M2)	13,628	14,418	14,910	15,458	16,156
Narrow money (M1)	5,900	6,185	6,143	6,744	6,999
Currency	2,211	2,366	2,414	2,863	2,922
Demand deposits	3,689	3,819	3,728	3,881	4,077
Quasi-money (M1)	7,728	8,233	8,768	8,714	9,157
Time and savings deposits	1,991	2,286	2,673	2,499	2,626
Foreign currency deposits	5,737	5,947	6,095	6,215	6,531
	(12-month change over broad money in same period last year, in percent)				
Net foreign assets	6.6	3.5	0.6	1.4	0.3
Net domestic assets	0.6	2.3	2.8	2.3	4.2
Domestic credit	6.0	8.7	5.1	2.4	4.1
Claims on general government (net)	2.9	4.5	2.2	0.0	-0.8
Claims on nongovernment	3.0	4.3	2.8	2.4	5.0
Other items (net)	-5.3	-6.5	-2.3	-0.1	0.1
Broad money (M2)	7.2	5.8	3.4	3.7	4.5
<i>Memorandum items:</i>					
	(Annual percent change)				
Broad money (M2)	7.2	5.8	3.4	3.7	4.5
Reserve money (RM)	4.4	-0.9	-0.8	4.5	4.7
Credit to the private sector	2.1	4.2	2.8	2.5	5.2
	(Percent)				
Credit to the private sector (in percent of GDP)	54.4	54.6	56.2	56.2	56.6
Broad money (in percent of GDP)	55.0	56.1	58.1	58.8	58.8
Central bank net foreign assets (in percent of monetary)	109.9	110.3	112.6	111.8	111.4
	(Ratio)				
Velocity (GDP/end-of-period M2)	1.8	1.8	1.7	1.7	1.7
Reserve money multiplier (M2/RM)	2.3	2.5	2.6	2.5	2.5

Source: CBBH and IMF staff estimates and projections.

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

	Available on or after	Amount of Purchase		Conditions
		In millions of SDRs	In percent of quota ¹	
1	September 26, 2012	50.730	30	Board approval of the arrangement.
2	December 19, 2012	50.730	30	Observance of end-September 2012 performance criteria and completion of the first program review.
3	May 6, 2013	33.820	20	Observance of end-December 2012 performance criteria, and completion of the quarterly program review.
4	June 28, 2013	33.820	20	Observance of end-March 2013 performance criteria and completion of the quarterly program review.
5	September 15, 2013	42.275	25	Observance of end-June 2013 performance criteria and completion of the quarterly program review.
6	December 15, 2013	42.275	25	Observance of end-September 2013 performance criteria and completion of the quarterly program review.
7	March 15, 2014	42.275	25	Observance of end-December 2013 performance criteria and completion of the quarterly program review.
8	June 15, 2014	42.275	25	Observance of end-March 2014 performance criteria and completion of the quarterly program review.
Total		338.20	200.00	
¹ The quota is SDR 169.1 million.				

Table 8. Bosnia and Herzegovina: Quantitative Performance Criteria and Indicative Target Under the 2012–14 Stand-By Arrangement, 2013–14

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

	2013						2014 3/	
	End-June		End-September		End-December		End-March	End-June
	EBS/12/161	Act.	EBS/12/161	Act.	EBS/12/161	Modified		
Performance Criteria								
Floor on the net lending of 1/								
Institutions of BiH	-15.0	51.9	-20.0	...	-25.0	-5.0	1.5	30.2
Federation central government	60.0	154.7	120.0	...	179.0	174.0	49.8	65.1
RS central government	10.0	83.3	30.0	...	120.0	105.0	32.1	80.5
Ceiling on contracting and guaranteeing of new nonconcessional short-term external debt by								
Institutions of BiH	0	0	0	0	0	0	0	0
Federation general government	0	0	0	0	0	0	0	0
RS general government	0	0	0	0	0	0	0	0
CBBH	0	0	0	0	0	0	0	0
Ceiling on accumulation of domestic arrears by								
Institutions of BiH	0	0	0	...	0	0	0	0
Federation central government	0	0	0	...	0	0	0	0
RS central government	0	0	0	...	0	0	0	0
Ceiling on accumulation external payment arrears by 2/								
Institutions of BiH	0	0	0	0	0	0	0	0
Federation general government	0	0	0	0	0	0	0	0
RS general government	0	0	0	0	0	0	0	0
CBBH	0	0	0	0	0	0	0	0
Indicative targets								
Floor on the net lending of the general government of BiH 1/	-24.6	58.4	-97.1	...	-17.1	-17.1	-8.8	56.4
Ceiling on changes in the stock of "other accounts payable"								
Federation general government	100.0	-94.7	100.0	...	100.0	100.0	100.0	100.0
RS general government	160.0	-32.2	160.0	...	160.0	160.0	100.0	100.0
Floor on the ITA gross revenue collection					...	6,056.0	1,395.0	2,957.0
1/ Excluding foreign financed projects as defined in TMU.								
2/ Continuous.								
3/ Indicative targets.								

Table 9. Bosnia and Herzegovina: Structural Conditionality

Actions	Rationale	Test date	Status
Prior action			
1 Adopt by the RS government a rebalanced budget to ensure that the modified program target for the budget balance for end-2013 can be met			Met
Existing structural benchmarks			
1 Continue to adhere to the Currency Board Arrangement as constituted under the law	Anchor for macroeconomic policy; contributing to economic and political stability	Continuous	Met
2 Refrain from introducing new privileged or special rights for retirement	Reducing recurrent spending through better targeting of transfer programs	Continuous	Met
3 Publish on the web site of the Institutions of BiH quarterly consolidated general government accounts with a 6 week lag	Fiscal transparency	Quarterly	Met with delay
4 Carry out eligibility audits for war benefit recipients; publish results (quarterly within 4 weeks after the end of each quarter) of audits (Entities)	Reducing recurrent spending through better targeting of transfer programs	Quarterly	Met with delay
5 Amend the banking law in the Federation to limit provisional administration to one year with a possible six month extension	Strengthening bank supervision as well as the bank resolution framework	End-June 2013	Met with delay
6 Amend the banking law in the RS to limit provisional administration to one year with a possible six month extension	Strengthening bank supervision as well as the bank resolution framework	End-June 2013	Met
7 Amend the legal frameworks related to the treatment of confidential information in the Federation and the RS to align them with EU requirements	Improving information sharing and policy coordination	End-June 2013	Met
8 Adopt a new law on budget in the Federation that improves data reporting and enhancing control over lower level governments, extra-budgetary funds, and public companies	Fiscal sustainability	End-September 2013	Not met; proposed to reset to end-November
9 Establish a one-stop shop process for business registration in RS	Improving business environment	End-September 2013	Partially met
10 Amend legislation in the RS to eliminate the take-home pay protection for public sector employees	Controlling the public sector wage bill in the medium term	End-December 2013	
11 Adopt by the Federation parliament a new labor law with a view to facilitating job creation	Improving business environment and creating more jobs	End-December 2013	
12 Adopt by the RS parliament a new labor law with a view to facilitating job creation	Improving business environment and creating more jobs	End-December 2013	
13 Prepare the contingency plans for crisis preparedness and management in line with paragraph 10 of the supplementary Letter of Intent of June 12, 2013.	Strengthening crisis preparedness	End-December 2013	
14 Submit legislation in line with IMF staff recommendations regulating the establishment and supervision of asset management companies to the Federation parliament	Facilitating NPL resolution	End-June 2014	
15 Submit legislation in line with IMF staff recommendations regulating the establishment and supervision of asset management companies to the RS parliament	Facilitating NPL resolution	End-June 2014	
16 Submit to the Federation parliament a new draft law on banks and other lending institutions in line with IMF staff recommendations	Financial stability	End-June 2014	
17 Submit to the RS parliament a new draft law on banks and other lending institutions in line with IMF staff recommendations	Financial stability	End-June 2014	
Newly proposed structural benchmarks			
1 Publish a list of the 100 largest tax debtors to the ITA	Transparency	End-December 2013	
2 Hire reputable external auditors to conduct thorough asset quality reviews of the banks that have been under intensified monitoring by the Banking Agencies in 2013	Financial stability	End-December 2013	

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

	2011	2012	2013	2014	2015	2016	2017	2018	2019
	Actual		Projections						
Fund repurchases and charges 1/									
In millions of SDRs	4.8	24.3	142.1	151.1	42.3	76.4	149.4	97.2	16.1
In millions of U.S. dollars	7.6	37.3	214.8	229.3	64.6	117.2	230.2	149.8	24.7
In percent of exports of goods and NFS	0.1	0.7	3.8	3.7	1.0	1.6	2.9	1.7	0.3
In percent of external public debt service	3.1	13.6	44.4	39.5	13.1	19.2	29.6	21.5	3.4
In percent of quota	3.0	14.0	82.9	89.7	25.2	45.4	88.8	57.5	9.5
In percent of gross official reserves	0.2	0.8	4.7	4.8	1.3	2.4	4.6	3.0	0.5
Fund credit outstanding 1/									
In millions of SDRs	338.2	416.8	432.1	370.3	331.9	258.9	112.0	15.9	0.0
In millions of U.S. dollars	534.0	638.5	653.0	561.8	506.2	397.1	172.7	24.4	0.0
In percent of quota	200.0	246.5	255.5	219.0	196.3	153.1	66.3	9.4	0.0
In percent of GDP	2.9	3.8	3.7	3.0	2.5	1.8	0.7	0.1	0.0
In percent of gross official reserves	12.3	14.6	14.3	11.7	10.3	8.0	3.5	0.5	0.0
Memorandum items:									
Exports of goods and services (millions of US\$)	5,720	5,223	5,719	6,197	6,790	7,377	8,007	8,691	9,433
External public debt service (millions of US\$)	248	275	484	580	493	612	779	695	737
Quota (millions of SDRs)	169	169	169	169	169	169	169	169	169
Quota (millions of US\$)	267	259	256	257	258	259	261	261	261
Gross official reserves (millions of US\$)	4,329	4,388	4,565	4,819	4,907	4,934	4,994	5,054	5,115
GDP (millions of US\$)	18,253	16,853	17,739	18,693	20,060	21,694	23,435	25,316	27,348
U.S. dollars per SDR	1.58	1.53	1.51	1.52	1.53	1.53	1.54	1.54	1.54
Source: Fund staff estimates.									
1/ Based on existing and prospective drawings.									

Table 11a. Bosnia and Herzegovina: Gross Financing Requirements 2013–18

(In millions of euros)

	2013	2014	2015	2016	2017	2018
Financing requirements	1,550	1,716	1,621	1,691	1,772	1,407
Current account deficit	1,005	1,100	1,050	1,011	937	907
Amortization	545	616	571	680	835	500
Government	311	359	293	380	506	133
Other	234	257	279	300	329	367
Financing	1,276	1,456	1,621	1,691	1,772	1,407
Capital transfers	149	153	157	162	167	173
FDI	319	329	334	340	350	360
Net bank financing	10	121	124	132	141	141
Foreign loans	591	631	638	624	679	673
Government	387	384	354	348	348	348
Other	203	247	284	275	331	325
Gross international reserves (+ = increase)	125	154	31	-12	14	277
Other	332	377	399	420	449	337
Financing gap 1/	274	260	0	0	0	0
IMF	174	96	0	0	0	0
EU	100	0	0	0	0	0
World Bank	0	38	0	0	0	0

Table 11b. Bosnia and Herzegovina: Gross Financing Requirements 2013–18

(In percent of GDP)

	2013	2014	2015	2016	2017	2018
Financing requirements	11.5	12.2	10.9	10.6	10.3	7.7
Current account deficit	7.5	7.8	7.0	6.3	5.5	4.9
Amortization	4.1	4.4	3.8	4.3	4.9	2.7
Government	2.3	2.6	2.0	2.4	3.0	0.7
Other	1.7	1.8	1.9	1.9	1.9	2.0
Financing	9.5	10.4	10.9	10.6	10.3	7.7
Capital transfers	1.1	1.1	1.1	1.0	1.0	0.9
FDI	2.4	2.3	2.2	2.1	2.0	2.0
Net bank financing	0.1	0.9	0.8	0.8	0.8	0.8
Foreign loans	4.4	4.5	4.3	3.9	4.0	3.7
Government	2.9	2.7	2.4	2.2	2.0	1.9
Other	1.5	1.8	1.9	1.7	1.9	1.8
Gross international reserves (+ = increase)	0.9	1.1	0.2	-0.1	0.1	1.5
Other	2.5	2.7	2.7	2.6	2.6	1.8
Financing gap 1/	2.0	1.9	0.0	0.0	0.0	0.0
IMF	1.3	0.7	0.0	0.0	0.0	0.0
EU	0.7	0.0	0.0	0.0	0.0	0.0
World Bank	0.0	0.3	0.0	0.0	0.0	0.0

Source: IMF staff projections and calculations.

^{1/} Options to close the financial gap in the 2014Q4 include SBA augmentation and/or disbursements from other IFIs.

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

	(In Percent)								
	2008	2009	2010	2011	2012			2013	
					Jun	Sep	Dec	Mar	Jun
<i>Capital</i>									
Tier 1 capital to risk-weighted assets (RWA)	12.0	12.4	12.6	13.6	14.1	14.1	14.1	14.6	14.9
Net capital to RWA	16.3	16.1	16.2	17.2	16.7	16.8	17.0	17.2	17.2
<i>Quality of assets</i> ¹									
Nonperforming loans to total loans	3.1	5.9	11.4	11.8	12.7	12.7	13.5	13.8	14.3
Nonperforming assets (NPAs) to total assets	2.2	3.9	8.1	8.8	9.7	9.7	10.3	10.6	11.1
NPAs net of provisions to tier 1 capital	14.3	25.9	46.1	26.1	28.7	28.9	30.4	30.7	32.4
Provision to NPAs	37.9	34.6	40.8	68.2	67.4	66.6	67.4	66.7	65.6
<i>Profitability</i>									
Return on assets ²	0.4	0.1	-0.6	0.7	0.8	1.1	0.6	0.1	0.1
Return on equity ²	4.3	0.8	-5.5	5.9	6.5	8.7	5.0	0.3	0.2
Net interest income to gross income	60.6	61.5	60.1	63.8	64.2	63.6	63.7	64.3	63.3
Noninterest expenses to gross income	90.5	97.4	109.0	86.3	81.0	81.1	87.2	80.5	79.5
<i>Liquidity</i>									
Liquid assets to total assets	30.0	30.9	29.0	27.3	24.7	24.9	25.4	24.1	24.2
Liquid assets to short- term financial liabilities	51.8	52.9	49.7	46.7	43.0	43.5	44.1	42.2	42.4
Short- term financial liabilities to total financial liabilities	65.4	66.2	66.9	68.4	67.7	67.4	67.9	67.4	67.5
<i>Foreign exchange risk</i>									
Foreign currency and indexed loans to total loans	73.3	73.9	70.0	66.7	63.5	63.7	63.1	63.2	63.7
Foreign currency liabilities to total financial liabilities	69.5	69.2	67.0	66.0	67.0	66.5	65.2	65.1	65.1
Net open position	6.2	1.7	4.4	16.1	8.3	6.4	5.4	6.5	11.1
Source: CBBH.									
¹ Prior to 2010, assets classified as loss, alongside the provisions made against them, were held off-balance sheet by banks in BiH. This lowered the reported NPL ratios and coverage of nonperforming loans by provisions. Starting with the December 2010 data, the RS Banking Agency requires banks to record on-balance sheet the "loss" loans and related accrued interest and provisions, resulting in a structural break in the series. The Federation Banking Agency is planning to enforce the same methodology starting in December 2011.									
² Interyear values obtained by summing up the quarterly net income in the current and the preceding three quarters.									

Appendix. Supplementary Letter of Intent

Sarajevo and Banja Luka, Bosnia and Herzegovina

October 9, 2013

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

Dear Ms. Lagarde:

1. The Stand-By Arrangement (SBA) for Bosnia and Herzegovina (BiH) approved in September 2012 by the Executive Board of the International Monetary Fund (IMF) continues to be a valuable anchor for our economic policies. We remain committed to implementing the policies described in our Letter of Intent dated September 11, 2012, as well as to the policies described in our supplementary Letters of Intent of December 6, 2012, April 23, 2013 and June 12, 2013. This supplementary Letter of Intent provides information on our efforts and achievements since the completion of the third review under the arrangement in June 2013, as well as on the additional policy measures we plan to undertake during the remainder of 2013 and first half of 2014 to help ensure that the objectives of the SBA will be met.

2. The modest recovery since early this year is taking hold, with industrial production and exports continuing to perform strongly. Thus, we expect that our economy will grow by close to 1 percent in 2013, slightly higher than envisaged earlier. Inflation continues to be well contained at around 1 percent, and is expected to remain low, reflecting still weak domestic demand. Thanks to improving export receipts and steady remittance inflows, international reserves continued to rise and reached a record high in September 2013.

Program Implementation

3. We continue to make steady progress in meeting our program objectives. All quantitative performance criteria for end-June 2013 on the budget balances of the Institutions of BiH and the central governments of the Federation and the Republika Srpska (RS) were met with comfortable margins (Table 1). Tax revenues were somewhat lagging, reflecting weak collection of gross indirect tax revenues exacerbated by rising VAT refunds. Nevertheless, spending controls helped us to meet

the fiscal targets. We can also report that the Institutions of BiH and the central governments of the Federation and the RS did not see an increase in domestic arrears in the period through end-June 2013. We also did not contract or guarantee any new non-concessional short-term external debt, nor did we accumulate any external payment arrears through end-September 2013. Similarly, the indicative target on net lending by the general government (excluding foreign financing) for end-June 2013 was met and the changes in the stock of other accounts payable for the general governments of the Federation and the RS remained well below their respective ceilings through end-June 2013.

4. The outlook for meeting our end 2013 budget balance targets, however, remains challenging, but we still expect that we will reduce the overall deficit for BiH to 2 percent of GDP this year. Achieving this will require us to urgently improve indirect tax collection and reach an understanding on the dividend distribution from our electricity distribution company TRANSCO, while maintaining strict expenditure control.

5. Less-than-expected indirect tax collection so far has made it especially challenging for the entity governments to meet the end-year budget targets. In light of this, and given that indirect tax collection is largely outside the entity governments' control, we request a modest modification of the end-year fiscal targets to achieve a reallocation of fiscal space between the Institutions of BiH and the entities. Specifically, we request that the end-December 2013 performance criteria on the floor on net lending (excluding foreign financed projects) be lowered by KM 5 million for the Federation and by KM 15 million for the RS—as the latter was also adversely affected by the adjustment of the revenue allocation coefficients—and that correspondingly the floor on net lending for the Institutions of BiH be raised by KM 20 million. Moreover, in the RS, government finances have not only been adversely affected by the overall shortfall in indirect tax revenue collection and the adjustment of the revenue allocation coefficients, but also by the absence of receipts from the planned disposal of non-financial assets. Therefore—and also to offset a public sector wage increase effective July 2013 that partially reversed the earlier wage cut—the RS government adopted a rebalanced budget in early October to ensure that the program target for the budget balance for end-2013—as modified above—can be met (a prior action for this review).

6. To anchor fiscal policies over the medium term, we have adopted the Global Fiscal Framework for 2014-16, which envisages a further gradual reduction in the consolidated general government deficit in the coming years. The budgets for 2014 are still at the early stage of preparation and will be further discussed with IMF staff in November. We are committed to safeguarding the progress we made so far with fiscal consolidation and to continue our policy of strictly containing current spending in 2014. In line with this, we are proposing indicative targets for

the budget balances of the Institutions of BiH and the central governments of the Federation and the RS for end-March 2014 and end-June 2014 as presented in Table 1.

7. Further progress has been made in advancing our structural reform agenda in the last few months:

- The new law on privileged pensions in the Federation was put into effect. Benefits for existing beneficiaries that were not receiving the minimum benefit have been reduced. Audits to verify the eligibility of these beneficiaries are continuing unhindered throughout the Federation and we have addressed temporary interruptions in some cantons. We will also amend the Law on Audits as needed to ensure that this process will continue. Instructions for the process of certification of new beneficiaries have been unified and tightened to minimize the risk of fraud, and sufficient administrative resources have been made available to ensure that the screening of new entrants will be completed within the prescribed deadlines.
- The new law on budgets for the Federation—developed with the assistance from the IMF—has benefitted from a consultative process with all stakeholders, including cantons and municipalities, as well as parliament, and is expected to be approved by end-November 2013 (a new proposed date for this end-September structural benchmark). This new law will significantly enhance fiscal policy coordination in the Federation, promote stricter fiscal discipline, strengthen the Federation central government’s oversight over lower levels of government, extra-budgetary funds, and public companies, and improve the timeliness and accuracy of fiscal reporting.
- The pension reform strategy for the Federation and an action plan, prepared with the assistance of the World Bank, have been adopted by the Federation government after consultation with the social partners. To achieve the overarching objective of ensuring the financial sustainability of the pension system, the strategy aims to increase the number of contributors and raise the effective retirement age, including by tightening early retirement criteria, raising early retirement decrement and late retirement bonuses. Parliamentary approval of the strategy and the action plan is expected by end-October 2013. The process of adapting the relevant legislation to implement the strategy is expected to be completed by early 2015.
- Amendments to the RS Banking Agency law have been adopted by parliament, bringing the treatment of confidential information in line with EU practices (a structural benchmark for

end-June 2013). With the same process already completed in the Federation, this will help us to enhance our cooperation with foreign bank supervisors, including by the signing of Memoranda of Understanding with them.

- Amendments to the banking laws of both entities to limit the duration of provisional administration to one year with a possible six month extension have also been approved by respective parliaments (structural benchmarks for end-June 2013).
- In the RS, progress was made with creating a one-stop process for business registration, with the legislation and regulations that focus on a reduction of costs having been adopted and come into effect September 1, 2013, while those relating to the registration process itself will enter into force on December 1, 2013 (an end-September 2013 structural benchmark; see below).

Further Reforms

8. As noted, gross VAT collection has been lagging the pick-up in economic activity. This, together with growing VAT refunds and less-than-expected collection of excise taxes on cigarettes, is adversely affecting our budgets, forcing us to reduce spending within already tight budgets. Therefore, improving indirect tax collection is at the top of our agenda. Specifically, we will:

- Implement the recently approved Rulebook on the Organization of Work Posts of the ITA, which will enable the ITA to function more efficiently. In this context, we will mandate the ITA to shift more qualified staff to the large taxpayers unit and to the units focusing on the detection and prevention of VAT fraud.
- Strengthen the control of VAT refunds, notably by adopting a risk-based approach for the selection of refunds for audit, with the selection criteria focusing more on the claimant, including the claimant's compliance record, registration data (ownership and location), and business activity, as well as the claimant's data reported to other tax agencies.
- Enhance transparency by publishing a list of the 100 largest tax debtors to the ITA (a new structural benchmark for end-December 2013). To this effect, amendments to the Law on Indirect Taxation Procedure, which will explicitly provide the ITA with such authority, have been submitted to the BiH parliament, and are expected to be approved before end-December 2013.

- Closely monitor the accumulation of tax arrears and tax debt. The Governing Board of the ITA will mandate a comprehensive review of existing tax arrears, focusing on the largest debtors, and subsequently adopt an action plan for collecting and preventing tax arrears, with specific targets and timelines. As a first step, the ITA will aim to collect at least KM 30 million (about 10 percent of the end-July 2013 stock of VAT arrears) by the end of 2013. In addition, the ITA will publish monthly information on the stock of indirect tax arrears and the stock of rescheduled debts, starting in December 2013.
- Fully harmonize the excise rates on fine-cut tobacco products with those on cigarettes. The recently proposed rate increase in fine-cut tobacco products has not been enough to discourage smuggling and tax evasion. Excise rates on fine cut tobacco will be fully harmonized with those on cigarettes by end-December 2013, while rates will continue to be adjusted gradually in the coming years to achieve convergence with EU levels.
- Continue to adjust the indirect tax revenue allocation coefficients on a quarterly basis, and reach timely understandings on the settlement of any outstanding obligations.

To guide our efforts, we propose to set indicative targets on the gross collection of indirect tax revenues by the ITA, starting in the fourth quarter of 2013 (Table 1).

9. In addition, in the Federation we are pressing ahead with a modernization program of the FTA, with the assistance of the IMF, aiming at promoting voluntary compliance and implementation of a risk-based approach. The revised Rulebook on Tax Administration is expected to be adopted in November 2013 and equips the FTA with sufficient authority for its organizational design—including the establishment of a Large Taxpayer Office—and human resource management. We are committed to providing the necessary resources from the budget to support this important reform.

10. Moreover, the four tax agencies (ITA, FTA, RSTA, and BDTA) have signed a Memorandum of Understanding to facilitate the sharing of taxpayer information, and thus to also help improve enforcement and reduce VAT fraud. A working group for this purpose has been set up, and work is under way to coordinate the necessary legal and technical steps that need to be taken to allow the FTA, RSTA, BDTA, and ITA to have permanent, unfettered, and automated access to each other's taxpayer data, starting January 1, 2014.

11. The preparation of a new corporate income tax law for the Federation is at the final stage. The law is expected to be submitted to parliament by end-December 2013 following technical assistance from the IMF, also to ensure its consistency with other laws. We will continue to work with IMF staff to ensure that this new law will: (i) broaden the tax base while reducing deductions and tax

expenditures; (ii) ensure consistent treatment across different sectors; and (iii) clarify the tax treatment of loan loss provisioning by banks to encourage provisioning. The RS will also review its tax treatment of loan loss provisioning to achieve the same objective.

12. In the RS, the base for health and pension contributions was broadened in January 2013 but its implementation has fallen behind. We will complete the classification of individual agricultural workers by end 2013, and adopt the new rulebook, linking the payment of agricultural subsidies with recipients' registration with the health and pension funds.

13. We will continue to strengthen the public procurement framework in BiH by adopting a new procurement law that has been drafted with the assistance of the OECD and the EU. This law will be adopted by the BiH Council of Ministers and submitted to the BiH parliament soon. We expect parliamentary approval of the law, which will be fully in line with EU legislation, by end-December 2013.

14. Fiscal reporting is essential in formulating and coordinating fiscal policy and enforcing fiscal discipline. Despite steady progress, significant room for improvement remains. Thus, we will:

- Prepare or update the by-laws needed for the implementation of the new law on budgets in the Federation. We are committed to enforce the reporting deadlines and requirements as prescribed by the new law, and to apply penalty clauses as warranted.
- Start the full implementation of the instruction for budget users to enter commitment due dates into the Treasury system, effective January 1, 2014, in the Institutions of BiH, as well as the entities.
- Establish by end-October 2013 a common definition of arrears in the Institutions and both entities, with any amount that is not paid within 90 days after the due date considered to be in arrears.
- Continue to extend the coverage of our treasury systems. We expect the treasury system in the RS to cover the health sector by end-March 2014, which is expected to strengthen spending control and to facilitate audits. Also by end-March 2014, the treasury system in the Federation will be expanded to cover all extra-budgetary funds. In the Federation, efforts will also continue to integrate municipalities into the treasury system.
- Further strengthen the consolidation process, especially at the Federation and general government of BiH levels, by the Federation Ministry of Finance and the Fiscal Council,

respectively, with the aim to improve the quality and timeliness of consolidated reports, including by expanding coverage to capture public companies for roads and highways and projects financed from foreign loans and grants.

15. Our financial sector has weathered the challenges of the last several years well, although credit growth has remained subdued and the quality of banks' loan portfolios has continued to deteriorate. As part of our continuing efforts to strengthen our oversight of the banking system the members of the Standing Committee on Financial Stability, supported by IMF staff, are in the process of establishing detailed contingency plans describing the responsibilities of and the coordination between responsible institutions in the event of financial sector difficulties. We expect these plans to be completed by end-December 2013 (a structural benchmark). As part of this, we will adopt a more proactive approach in dealing with any problem banks, in order to limit potential costs to public finances and the economy while ensuring adequate safeguards to financial sector stability. In this context, we will require those banks that have been under intensified monitoring by the Banking Agencies in 2013 to hire reputable external auditors by end-2013 to conduct thorough asset quality reviews (a new structural benchmark for end-December 2013). The reviews would be expected to be completed in the first half of 2014.

16. Work has started to improve the resolution framework for non-performing loans, as well as the comprehensive review of our banking laws to bring the latter fully in line with EU legislation and the requirements of Basel II and to ensure consistency between the entities. The overhaul of the banking laws will also enable us to expand the tool-kit for dealing with problem banks and clarify the procedures for doing so. We will seek technical assistance to assist us with these undertakings with a view to submit draft legislation to the entity parliaments by mid-2014 (structural benchmarks for end-June 2014).

17. We remain committed to combat money laundering and terrorist financing, to help safeguard the integrity and stability of our financial markets. To this end, both entities and the Institutions of BiH have closely worked together to prepare a new Law on AML/CFT seeking compliance with FATF recommendations. We expect the BiH parliament to adopt this Law by end-December 2013. Furthermore, we will review and amend as necessary related legislation, as well as the BiH Criminal Code, to ensure full consistency with the new Law.

18. Job creation remains one of the greatest challenges facing BiH and outdated labor laws continue to hinder employment growth. In this context, we have started the process of drafting new labor laws, both in the Federation and in the RS, with a view to creating an environment more conducive to job creation while safeguarding workers' rights consistent with ILO labor standards and

EC labor directives. We have started extensive consultations with stakeholders, with a view to building a broad consensus and to improving the design of the new labor laws, including by strengthening the process for collective bargaining and increasing penalties for labor law violations. We aim to have the new labor laws adopted by the respective parliaments by end-December 2013 (structural benchmarks). This will also pave the way for eliminating the take-home pay protection in the RS (a structural benchmark for end-December 2013).

19. To facilitate job creation, we are also working closely with the World Bank to improve the business environment. In the RS, as noted above, all legislative changes needed for the establishment of a one-stop-shop for business registration (an end-September 2013 structural benchmark) have been adopted and the process of staffing and IT upgrades is almost completed. We will further simplify the process of business registration by enabling full functional implementation of online e-registration by end-June, 2014. This will enable a cheaper and faster process for starting a business, thereby reducing unemployment. Toward the same objectives, work is well advanced in the Federation on preparing new laws on companies, registration, and inspections, as well as the law on offense proceedings. We expect all these laws to be approved by the Federation parliament by end-December 2013.

20. We have continued to make progress in discussions on WTO accession. In particular, we will sign a bilateral agreement with the USA shortly. However, bilateral discussions with some WTO members are proving to be more challenging than expected and this is likely to delay our WTO accession. Following Croatia's accession to the EU on July 1, 2013, our trade with the country has become regulated by the Interim Agreement on Trade and Trade-related Issues with the EU. We are conducting discussions with the EU on additional protocols to the agreement to increase our export to the EU. At the same time, we are working to harmonize our standards and administrative procedures on agricultural products with EU requirements. To diversify our trade, we are also discussing with Serbia and Turkey possible cooperation on third markets.

Program Modalities

21. We believe that our economic program continues to be on course and that our policies set forth in our Letter of Intent of September 11, 2012, and supplemented by the policies described in the supplementary Letters of Intent of December 6, 2012, April 23, 2013, June 12, 2013, and this supplementary letter remain adequate to achieve the objectives of our program. We stand ready, however, to take any additional measures that may be needed to achieve the objectives of our economic program. We will consult with the IMF on the adoption of additional policy measures and in advance of any revision to the policies contained in our economic program, in accordance with

IMF policies on such consultation. We will continue to provide IMF staff with the necessary information for assessing progress in implementing our program and will maintain a close policy dialogue with IMF staff.

22. As the consideration of this fourth review was delayed, we request the Executive Board to approve waivers of applicability of the end-September 2013 performance criteria on the budget balances for the Institution of BiH, and for the central governments of the Federation of BiH and the RS, and on the accumulation of domestic arrears by the Institutions of BiH and the central governments of the Federation and the RS for which data are not yet available and for which there is no evidence that these were not observed. In addition, we request the modification of the end-December 2013 performance criteria on the budget balances for the Institutions of BiH and the central governments of the Federation and the RS as described in paragraph 5. We furthermore request the Executive Board to complete the fourth review under the SBA and approve the fifth purchase under the arrangement in the amount of SDR 42.275 million.

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

/s/

Vjekoslav Bevanda
Chairman
of the Council of Ministers
Bosnia and Herzegovina

/s/

Nermin Nikšić
Prime Minister
Federation of Bosnia
and Herzegovina

/s/

Željka Cvijanović
Prime Minister
Republika Srpska

/s/

Nikola Špirić
Minister of Finance
and Treasury of
Bosnia and Herzegovina

/s/

Ante Krajina
Minister of Finance
Federation of Bosnia
and Herzegovina

/s/

Zoran Tegeltija
Minister of Finance
Republika Srpska

/s/

Kemal Kozarić
Governor
Central Bank of Bosnia and Herzegovina

Table 1. Bosnia and Herzegovina: Quantitative Performance Criteria and Indicative Target Under the 2012–14 Stand-By Arrangement, 2013–14

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

	2013						2014 3/	
	End-June		End-September		End-December		End-March	End-June
	EBS/12/161	Act.	EBS/12/161	Act.	EBS/12/161	Modified		
Performance Criteria								
Floor on the net lending of 1/								
Institutions of BiH	-15.0	51.9	-20.0	...	-25.0	-5.0	1.5	30.2
Federation central government	60.0	154.7	120.0	...	179.0	174.0	49.8	65.1
RS central government	10.0	83.3	30.0	...	120.0	105.0	32.1	80.5
Ceiling on contracting and guaranteeing of new nonconcessional short-term external debt by								
Institutions of BiH	0	0	0	0	0	0	0	0
Federation general government	0	0	0	0	0	0	0	0
RS general government	0	0	0	0	0	0	0	0
CBBH	0	0	0	0	0	0	0	0
Ceiling on accumulation of domestic arrears by								
Institutions of BiH	0	0	0	...	0	0	0	0
Federation central government	0	0	0	...	0	0	0	0
RS central government	0	0	0	...	0	0	0	0
Ceiling on accumulation external payment arrears by 2/								
Institutions of BiH	0	0	0	0	0	0	0	0
Federation general government	0	0	0	0	0	0	0	0
RS general government	0	0	0	0	0	0	0	0
CBBH	0	0	0	0	0	0	0	0
Indicative targets								
Floor on the net lending of the general government of BiH 1/	-24.6	58.4	-97.1	...	-17.1	-17.1	-8.8	56.4
Ceiling on changes in the stock of "other accounts payable"								
Federation general government	100.0	-94.7	100.0	...	100.0	100.0	100.0	100.0
RS general government	160.0	-32.2	160.0	...	160.0	160.0	100.0	100.0
Floor on the ITA gross revenue collection					...	6,056.0	1,395.0	2,957.0
1/ Excluding foreign financed projects as defined in TMU.								
2/ Continuous.								
3/ Indicative targets.								

Table 2. Bosnia and Herzegovina: Structural Conditionality

Actions	Test date	Status
Prior action		
1 Adopt by the RS government a rebalanced budget to ensure that the modified program target for the budget balance for end-2013 can be met		Met
Existing structural benchmarks		
1 Continue to adhere to the Currency Board Arrangement as constituted under the law	Continuous	Met
2 Refrain from introducing new privileged or special rights for retirement	Continuous	Met
3 Publish on the web site of the Institutions of BiH quarterly consolidated general government accounts with a 6 week lag	Quarterly	Met with delay
4 Carry out eligibility audits for war benefit recipients; publish results (quarterly within 4 weeks after the end of each quarter) of audits (Entities)	Quarterly	Met with delay
5 Amend the banking law in the Federation to limit provisional administration to one year with a possible six month extension	End-June 2013	Met with delay
6 Amend the banking law in the RS to limit provisional administration to one year with a possible six month extension	End-June 2013	Met
7 Amend the legal frameworks related to the treatment of confidential information in the Federation and the RS to align them with EU requirements	End-June 2013	Met
8 Adopt a new law on budget in the Federation that improves data reporting and enhancing control over lower level governments, extra-budgetary funds, and public companies	End-September 2013	Not met; proposed to reset to end-November
9 Establish a one-stop shop process for business registration in RS	End-September 2013	Partially met
10 Amend legislation in the RS to eliminate the take-home pay protection for public sector employees	End-December 2013	
11 Adopt by the Federation parliament a new labor law with a view to facilitating job creation	End-December 2013	
12 Adopt by the RS parliament a new labor law with a view to facilitating job creation	End-December 2013	
13 Prepare the contingency plans for crisis preparedness and management in line with paragraph 10 of the supplementary Letter of Intent of June 12, 2013.	End-December 2013	
14 Submit legislation in line with IMF staff recommendations regulating the establishment and supervision of asset management companies to the Federation parliament	End-June 2014	
15 Submit legislation in line with IMF staff recommendations regulating the establishment and supervision of asset management companies to the RS parliament	End-June 2014	
16 Submit to the Federation parliament a new draft law on banks and other lending institutions in line with IMF staff recommendations	End-June 2014	
17 Submit to the RS parliament a new draft law on banks and other lending institutions in line with IMF staff recommendations	End-June 2014	
Newly proposed structural benchmarks		
1 Publish a list of the 100 largest tax debtors to the ITA	End-December 2013	
2 Hire reputable external auditors to conduct thorough asset quality reviews of the banks that have been under intensified monitoring by the Banking Agencies in 2013	End-December 2013	

Attachment. Addendum to the Technical Memorandum of Understanding on Definitions and Reporting Under the 2012–2014 Stand-By Arrangement

1. The Technical Memorandum of Understanding (TMU) on Definitions and Reporting Under the 2012-14 Stand-By Arrangement dated September 11, 2012 and the Addendums to the TMU dated December 7, 2012 and April 23, 2013 shall remain in effect except for the amendments below:
2. A new Section G shall be introduced, reading:

“G. Floor on the collection of gross revenues by the Indirect Tax Authority (ITA) of Bosnia and Herzegovina (Indicative Target)

Definition

34. Gross revenues of the Indirect Tax Authority are defined as the sum of revenues collected from (i) value added tax; (ii) customs duties, customs registration fees and levies; (iii) excise duties on imported products; (iv) excise duties on domestic products; (v) levies (toll) on oil derivatives; (vi) other proceeds and fees; (vii) sales tax; and (viii) unclassified revenues. Gross revenue collection will be defined, for each test date, as the cumulative sum of gross revenues collected since the beginning of the current year.

Application of the performance criterion

35. The floor on the collection of gross revenues by the ITA will be measured quarterly on the basis of cumulative end-of-quarter data. Thus, if at the end of any given quarter the cumulative amount of gross revenues collected since the beginning of the current year falls below the corresponding floor, the indicative target will be missed.

36. **Reporting requirements:** Data on gross and net revenues will be transmitted on a monthly basis by the Indirect Tax Authority within two weeks of the end of each month.”

3. Paragraphs 34, 35, 36, and 37 shall be renumbered 37, 38, 39, and 40 respectively.



INTERNATIONAL MONETARY FUND



Press Release No. 13/413
FOR IMMEDIATE RELEASE
October 28, 2013

International Monetary Fund
Washington, D.C. 20431 USA

IMF Executive Board Completes Fourth Review under the SBA with Bosnia and Herzegovina and Approves €47.5 Million Disbursement

The Executive Board of the International Monetary Fund (IMF) today completed the fourth review of Bosnia and Herzegovina's (BiH's) economic performance under a program supported by a 24-month Stand-By Arrangement (SBA). The completion of the review enables the disbursement of an amount equivalent to SDR 42.275 million (about €47.5 million), which will bring total disbursements under the arrangement to SDR 211.375 million (about €237.3 million).

Despite a challenging environment, steady progress has been made in meeting program objectives. All end-June performance criteria (PCs) were met and steady progress was also made in observing structural benchmarks. However, as the fourth review was delayed to allow for a discussion of the policies that would allow meeting the end-2013 fiscal targets, in completing the review, the Executive Board also approved requests for the waivers of applicability of the now controlling end-September PCs on the budget balances and accumulation of domestic arrears for the Institutions of BiH and the entity central governments, for which data are not yet available. The Executive Board also approved a modification of the end-December 2013 PCs on the budget balances to allow a modest reallocation of fiscal space between the Institutions of BiH and the entities.

The SBA with BiH was approved on September 26, 2012 (see [Press Release No. 12/366](#)) in an amount equivalent to SDR 338.2 million (about €379.6 million).

Following the Executive Board's discussion, Ms. Minouche Shafik, Deputy Managing Director and Acting Chair, stated:

“The authorities of BiH have continued to make commendable progress under the SBA. Economic activity is picking up and fiscal consolidation remains on track, reflecting the authorities' prudent policies and an improved external environment.

“The overall budget deficit target for 2013 remains achievable despite revenue shortfalls and recent spending initiatives. However, increased efforts are necessary to strengthen tax

collection and contain spending. The 2014 government budgets should aim to protect the gains made so far in fiscal consolidation and place public debt firmly on a downward path. This will continue to require strict control over current spending and broader fiscal reforms to improve revenue collection and administration.

“The banking system remains stable and well capitalized. Continued vigilance is still needed nevertheless in monitoring banks’ health. The authorities have taken steps to strengthen banking supervision, improve contingency planning and crisis preparedness, and enhance the resolution framework for non-performing loans.

“It is critical to make BiH a more attractive place to invest and create jobs. The authorities are working to improve competitiveness and the business environment, including by streamlining business registration, and labor market legislation under preparation should also aim at contributing to job creation. Progress in these areas will be key to achieving a lasting reduction in unemployment. Further action is also needed to speed up the process for closer integration with the European Union to improve BiH’s prospects for medium-term growth.”

**Statement by Mr. Snel and Mr. Friedman on Bosnia and Herzegovina
October 28, 2013**

The Economy and the SBA

The economy of Bosnia and Herzegovina (BiH) has started to show encouraging signs of recovery, although this trend is still fragile and uneven. The external sector improved significantly, led by strong export growth of about 8 percent. Investment is expected to increase by more than 5 percent after several years of contraction. Private consumption, however, seems to be lagging behind, resulting in a drag on public finance as the VAT and other indirect taxes generate the bulk of the tax revenues. This uneven recovery is expected to gain momentum and become more balanced in 2014, when growth is expected to amount to 2.0 percent, and private consumption is expected to rebound strongly.

The authorities of BiH continue to make progress with the SBA-supported economic plan. The plan is based on three pillars: prudent fiscal policies that will put debt to GDP on a downward path, implementing structural reforms which will clear away the impediments to economic growth of the country, and strengthening financial stability. Although progress has been achieved on all these fronts, and all the end-June performance criteria and indicative targets were met, the structural reform agenda, which requires broader support from the social partners, is moving slower than envisaged.

Fiscal Consolidation

The deficit and the level of public debt in BiH are low, and declining. Fiscal consolidation continues to take hold: the public deficit is expected to be at 2 percent of GDP, down from 2.7 percent on 2012. This reduction, accompanied by modest growth, is expected to reduce the level of debt relative to GDP below 45 percent, breaking the upward trend of the four last years.

The consolidation on the national level reflects a consolidation of both entities of BiH – The Federation of BiH (FedBiH) and Republika Srpska (RS) - as well as in the state-level institutions of BiH. In the RS, a rebalanced budget that ensures that fiscal consolidation is on track has been approved by the government. In the FedBiH, the newly legislated Privileged Pension Law, which is a contentious issue, is now implemented. The authorities' request for an internal relocation between the entities and the state level institutions is neutral from a national perspective, and reflects their ability to coordinate their policies and to support their national common interest.

The collection of indirect taxation is weak and will be improved. Some weaknesses in the system of indirect taxation have recently surfaced. Indirect tax revenues in BiH, which include a broad-based VAT and excise taxes, are collected on a national basis and then distributed by the Indirect Tax Administration (ITA) between the institutions and the entities according to a rules-based mechanism. These revenues form the largest tax base in both the FedBiH and the RS, and compose the bulk of the state-level revenues on the institutions of BiH. A detailed plan to increase indirect tax revenues has been put forward and will be implemented swiftly in order to meet the new indicative target for revenue collection.

Structural reforms

The authorities realize that implementing structural reforms is of the essence. The level of income per capita in BiH and the rate of unemployment, which is largely a structural problem unrelated to the economic cycle, point to the large unutilized potential of the economy, especially given the high level of human capital in the country.

The authorities have made progress with creating a more business-friendly environment. The RS has completed the legislative changes for simplifying business establishment and registration, and the Fed BiH made progress with preparing a new corporate law, a new law on inspections, a law on administrative fees, and amendments to business registration law. The plan is to have all of these approved by the respective Parliaments by the end of the year. A rigid labor market, which results in very low rates of job creation, will become more flexible and growth-friendly following the legislation of modern labor laws in both entities by the end of 2013. The RS authorities have prepared a draft law that is acceptable by the social partners and will be discussed with the Fund in November during the next mission.

Financial stability

The financial sector has proven to be robust during the last few years, but further measures to ensure financial stability are now implemented. The main problem is that the level of non-performing loans is high and still increasing. In order to mitigate the related risks, the authorities are in the process of strengthening the cooperation and information sharing between the entity-level supervisors and the Central Bank of BiH. In addition, development of a new resolution framework is underway. Finally, supervision, which is conducted following a risk-based approach, will benefit from a thorough asset-quality review which will be carried out in selected institutions, by independent auditors, by mid-2014.

The authorities would like to express their gratitude to the mission, headed by Mr. van Rooden, and to the local team, headed by Mr. Ruben Atoyan, for completing this review, their helpful advice and excellent report.