

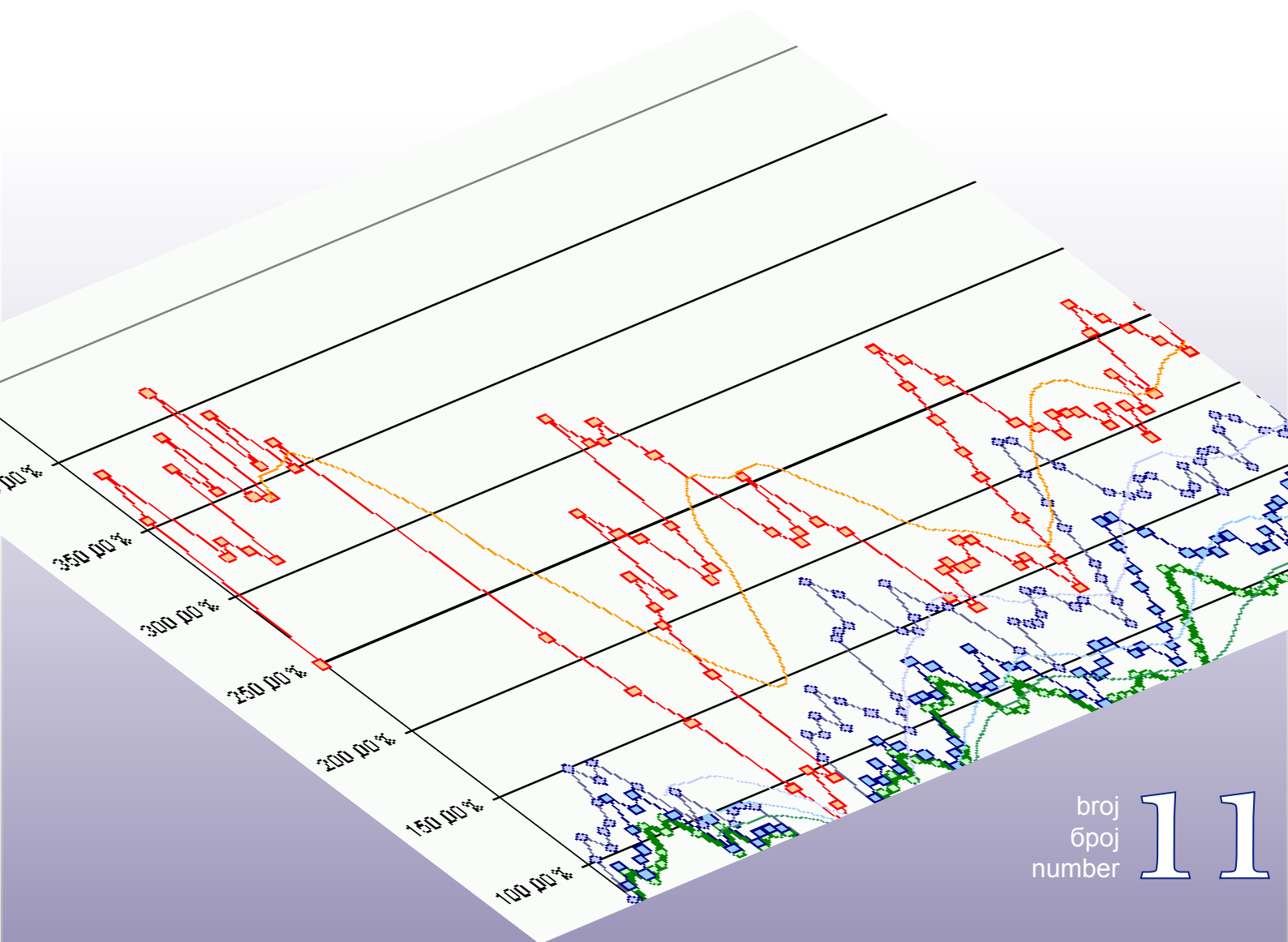
Bosna i Hercegovina  
Odjeljenje za makroekonomsku analizu  
Upravnog odbora Uprave za indirektno-  
neizravno oporezivanje



Босна и Херцеговина  
Одјељење за макроекономску анализу  
Управног одбора Управе за indirektno-  
опорезивање

Macroeconomic Unit of the Governing Board of the Indirect Tax Authority

# *Oma Bilten*



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## With this issue...

The month of June marked the regular visit of the IMF to Bosnia and Herzegovina. In talks with BiH fiscal authorities, the Mission repeated that the new system of VAT taxation was implemented successfully. What's even more important than effects of increased revenues from indirect taxes in the first five months of 2006, is that VAT implementation largely reduced grey economy, introduced order in the market and united BiH economic space, representing important preconditions for attraction of investors, strengthening private sector and long term growth. The process of establishment and maintaining macroeconomic stability requires strong fiscal compliance and coordination in implementing agreed budget frameworks. Reaching agreement on a draft Law on Fiscal Council represents key step in this direction.

As part of our regular column, we will present you analysis on collection of indirect taxes in May this year and compare it with the same period in 2005. In the last few issues, we tried to analyze revenues by type of excise products. In this issue, we will present you analysis of trends in collection of excise on beer and alcohol in the last four years along with projection of developments in 2006.

Following the dynamic plan to include all BiH levels of administration in the system of monthly reporting, the Unit had initial meeting with representatives of extra budgetary funds from the Federation of BiH and Republika Srpska. A great number of funds were present at this meeting. In accordance with recommendations of the BiH fiscal authorities and international community, we hope that the extra budgetary funds in BiH will send monthly data for 2006 in the next two months in order to include them in the system and create consolidated reports.

We continue to publish consolidated monthly reports for fiscal operations of the single account and entities in May, and consolidated reports for general government, including fiscal operations of the central governments (budgets of BiH, entities, Brcko District) and cantonal budgets for the first four months in 2006.

Dinka Antić, MSc  
Head of Unit – Supervisor

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Translated by: Edin Smailhodžić

**News: IMF visit to Bosnia and Herzegovina**

(Prepared by: Dinka Antić)

As part of regular consultations in regards to Article 1, the IMF mission, led by Mr. Dmitri Demekas, visited Bosnia and Herzegovina. IMF mission had few meetings with the BiH Fiscal Council providing certain recommendations to BiH fiscal authorities.

IMF mission is satisfied with progress in creating legal framework for fiscal coordination in BiH. BiH Fiscal Council reached agreement on basic provisions of the Law on Fiscal Council that should be sent to parliamentary procedure soon. The Law on Fiscal Council is one of great challenges successfully managed by local authorities.

IMF mission emphasized priorities of Bosnia and Herzegovina in 2006: fiscal sustainability, strengthening budget discipline, faster implementation of structural reforms and finalizing privatization process.

Just as the last time, the Mission underlined that introduction of VAT is largest economic reform in BiH. VAT is successfully implemented, but it's too early to give serious estimates about first effects of VAT on economy, in terms of prices, revenues, trade exchange, employment, liquidity etc. However, it is already obvious that introduction of VAT contributed to significant reduction of grey economy and it represents key step in establishing single economic space in BiH.

Duty of BiH fiscal authorities in future period is to keep fiscal sustainability and agreed budget frameworks. Large number of VAT positive effects on revenues is restricted to the first year of VAT implementation. Analysis of experiences in other countries shows large instability and oscillations in VAT revenues during the first year of the implementation, so there might be shortfall of revenues in the second part of the year. That's why there should be special care in spending revenues from the ITA single account. Special care needs to be taken at lower levels of administration (cantons, municipalities) that have weaker fiscal control of central governments. There should also be strict control of creating liabilities at lower levels of government during 2006 since payment of these liabilities will be made the next year when there might not be the same VAT effects on revenues.

In the end of the visit to Bosnia and Herzegovina, IMF mission sent preliminary report and certain recommendations to BiH fiscal authorities. Macroeconomic Analysis Unit will prepare a note on recommendations once the report in relation to Article 1 is finalized and available.

## Collection of indirect taxes – May 2006

(Prepared by: Mr. Sc. Dinka Antić)

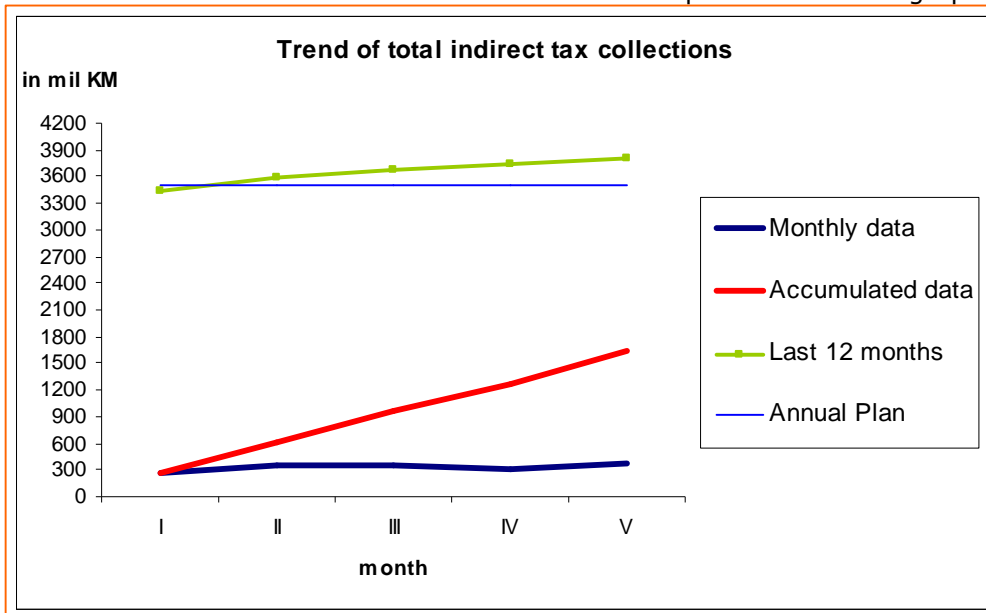
### Introduction: Applied methodology

Analysis of indirect taxed collection is based on the following data:

- net cash flow to the ITA single account<sup>1</sup>
- total collection of indirect taxes regardless the level of government that carried out the collection (ITA or entity governments)<sup>2</sup>

### A. Analysis of total collection:

In May 2006 363 mill. in net amount was collected to the single account, which is 15% higher than in April 2006. For five months of 2006 total amount collected was 1,643 billion KM of indirect taxes in BiH or 32.7% more than in the same period in 2005. ITA collected 1,482 billion KM of net revenues or 90%<sup>3</sup> and entity administrations collected a bit more than 160 mill. KM. This represents 42% of the ITA annual plan for collection of indirect taxes for BiH<sup>4</sup> in 2006. Trend in total collection of indirect taxes is presented in the graph 1:



Graph 1.

<sup>1</sup> Gross VAT collection is: collection of VAT on imports, collection of VAT per declarations and other cases of single or enforced collection of VAT. Net VAT collections is obtained after deducting gross collection by the amount of refunds. Revenues from other indirect taxes are reduced for the amounts of refunds from the single account.

<sup>2</sup> more information about problems in reporting on collection of indirect taxes in the first year of VAT can be found in the bulletin no. 7

<sup>3</sup> We should add 24,280 mil KM to this amount, and it represents revenue collection for five months in 2006 that were not harmonised after compilation of analytical data and analytical records on taxpayers in modules of IT system of ITA (single account, VAT, customs, excise)

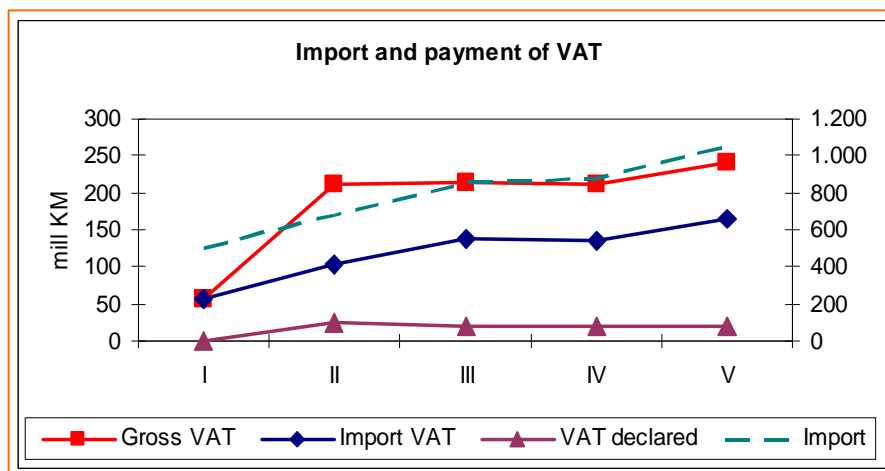
<sup>4</sup> Plan of collection of indirect taxes in 2006 amounts 3,653 billion KM out of which 3,503 billion KM was collected to the ITA single account. Collection plan was adopted by BiH Fiscal Council in October 2005. More info about this is in the bulletin no. 3.

## B. Analysis by type of revenues:

Shortfall of revenues from customs and customs duties stopped in May. In comparison of May and April, collection in May was 25% higher for revenues from customs. However, for the period from January to May in comparison to the same period last year, collection of customs revenues was 9% lower. Trend in growth of revenues from excise continues and it is 8% higher than in the same period in 2005. In May, there was growth of excise on oil and imported beer and coffee, which is the result of growth in imported quantity of these products in comparison with April. There is also obvious growth of excise on domestic tobacco.

Comparison of VAT and sales tax collection is possible only at total level regardless the level of government that collected taxes. In order to compare collection of VAT in 2006 with collection of sales tax in 2005, it's necessary to have VAT collection added to collection of lagging sales tax collected to entity accounts in 2006<sup>5</sup>. In May 2006, there was growth of net VAT revenues by 14% compared to April (or net of 29 mil KM). In comparing 2005 with May 2006, collection of VAT was 51% higher than collection of sales tax in May 2005 in entire Bosnia and Herzegovina.

Growth of VAT collection in May is the result of higher collection of VAT on imports and this growth corresponds to the growth of imports in May compared to April, which can be seen in the graph 2:



Graph 2.

Amount of VAT collection based on VAT declarations and refunds to exporters are constant and VAT debts decreased and amount 23,5 million KM<sup>6</sup>.

It should be mentioned that refunds of VAT in accordance with law on VAT are paid to:

- (i) exporters whose turnover contains more than 30% of exports, within 30 days from the day of submitting declaration
- (ii) other taxpayers 60 days from the day of submitting declaration

<sup>5</sup> More information on methodology for comparative reporting on collection of indirect taxes in 2006 can be found in the bulletin no. 7

<sup>6</sup> Debt was 24,7 mill. in the end of April. 3,726 debtors were registered and 143 taxpayers owe 68% of the total debt.

This provision is partially suspended in the first year of VAT implementation. In accordance with provisions of Article 72 of the Law on VAT, exporters from the category (i) are the only ones entitled to refund. Other taxpayers are entitled to tax credit that is shifted to future tax period for VAT liabilities to ITA. Taxpayers who do not use tax credit within six months will be paid by ITA in the amount for unused part of tax credit as VAT refund. This means that tax credit from VAT declaration in the month (t), which is filed in the month (t+1), that remained as unused will be refunded to taxpayers in the month (t+7)<sup>7</sup>. Payments for unused tax credit from previous months will reflect on cash flow of the ITA single account as of August 2006.

Suspension of refunds to other taxpayers makes the picture on collection of VAT in 2006 wrong. In order to create standard scheme of VAT collection trend, it will be necessary to make additional corrections of the VAT monthly collection.

By observing the period of five months, structure of collection of VAT/sales tax by level of government that did collection is provided in the following table:

in mil KM

Type of revenue	Competency	Amount	% share
Net VAT	ITA	938.370	83.78%
VAT refunds	ITA	-45.933	
Sales tax on excisable products	ITA	11.778	1.11%
	<b>ITA total:</b>	<b>904.215</b>	<b>84.88%</b>
Sales tax on other products and services	Tax administrations of entities and Brcko District	161.054	15.12%
	<b>TOTAL</b>	<b>1065.269</b>	<b>100.00%</b>

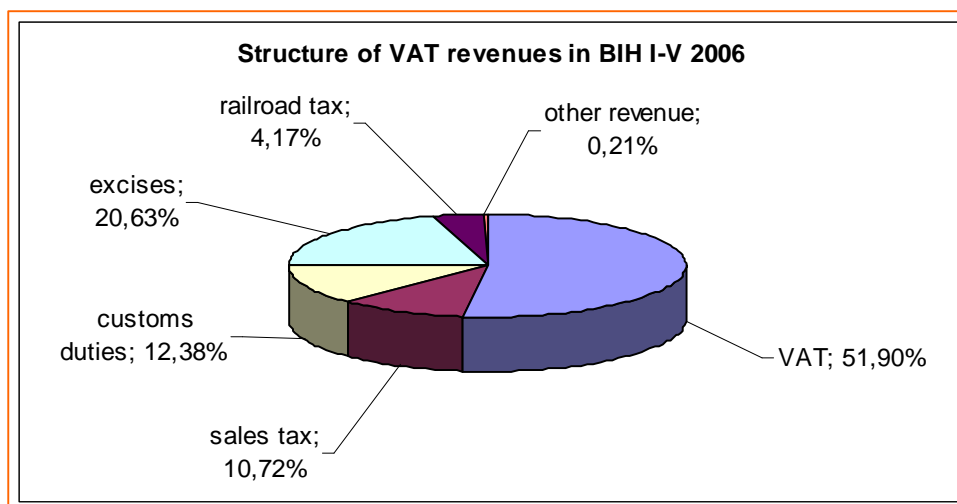
*Table 1.*

Total amount of sales tax and VAT collected by the end of May 2006 was 903,4 mill KM net. It represents 61% more than collection of sales tax in BiH in 2005. The amount of VAT collected was 891,6 mil KM net, which represents 50% of the VAT collection plan in 2006.

#### **D. Conclusion:**

May has brought us growth of all revenues from indirect taxes compared to the April, for the amount of almost 49 mill KM. This growth of revenues from indirect taxes was mainly due to collection of VAT, and it was close to 60%. Great impact on growth in collection of indirect taxes and VAT is due to high increase of imports in May. Total collection of indirect taxes compared to the period January-May 2005 is still very high and stable, and highest share is represented by collection of VAT.

<sup>7</sup> This means that if taxpayers stated tax credit in the VAT declaration for January (filed by February 10th, 2006.) and did not use it by August 10th, 2006, they will get unused amount of tax credit to their bank accounts during August 2006.



*Graph 3.*

Since that 45 % of the plan for collection of indirect taxes was fulfilled for the first five months of 2006, we can expect collection to be higher than the plan if there are no significant changes in the collection in the following months.

However, **cash flow in the single account in the following months will be reduced due to refunds of accumulated tax credits.** On May 31<sup>st</sup>, 2006, registered amount of accumulated tax credit was 79,634 mil KM, which represents almost 10% of net VAT collection in the first five months. So, there should be care in making decision on spending extra collected funds than projected ones by entity budgets.

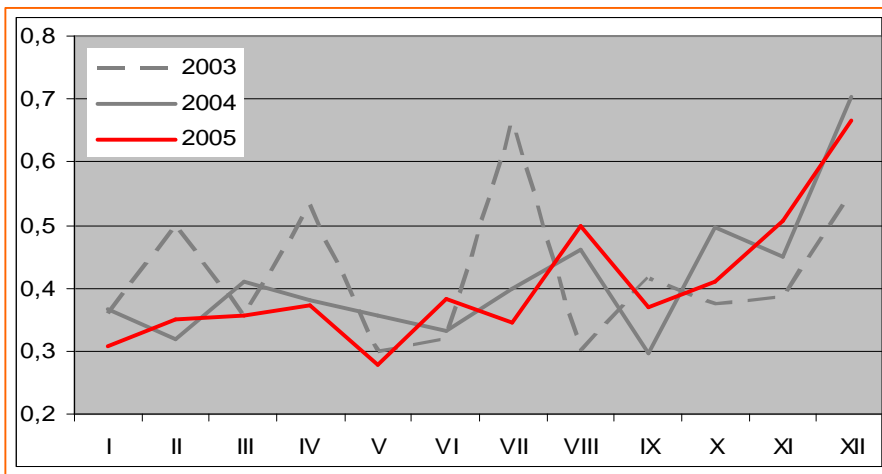
## Excise on alcohol and beer: historical trend and developments in 2006

(Prepared by: Ognjen Đukić, MSc)

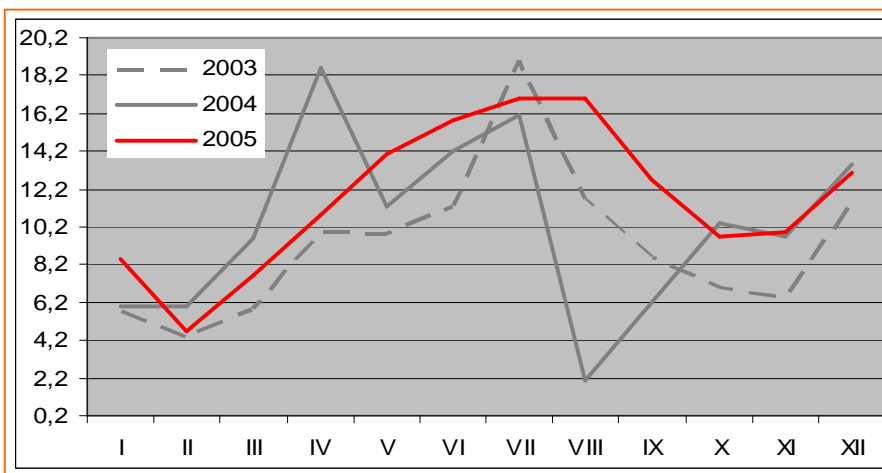
### Shortfall of revenues 2002-2005

Revenues from excise on alcohol and beer had significant shortfall in the last three years. Collection in 2005 was 53,2 mil. KM of revenues, being 31% less (or 23 mil. KM) in comparison with 2002. Average decrease of these revenues in the period from 2002 to 2005 was 11.4% annually. Such negative trend deserves important attention taking into consideration its volume and duration. In lack of break down of data on revenues from excises for observed period makes it more difficult to identify main reasons of the shortfall.<sup>8</sup>

If we observe trends in *quantities* of imported alcohol and beer in the period from 2003 to 2005, we can notice that the import of alcohol slightly decreased (2% annually) while import of beer significantly increased in 2004 (24%). Monthly trends in import of alcohol and beer are presented in graphs 4 and 4.



Graph 4. Import of alcohol (TB 2208), quantities in millions of liters



Graph 5. Import of beer (TB 2203), quantities in millions of liters

<sup>8</sup> These revenues were collected to entity accounts until the end of 2004. In accordance with entity regulations, control of collection was under jurisdiction of entity tax administrations



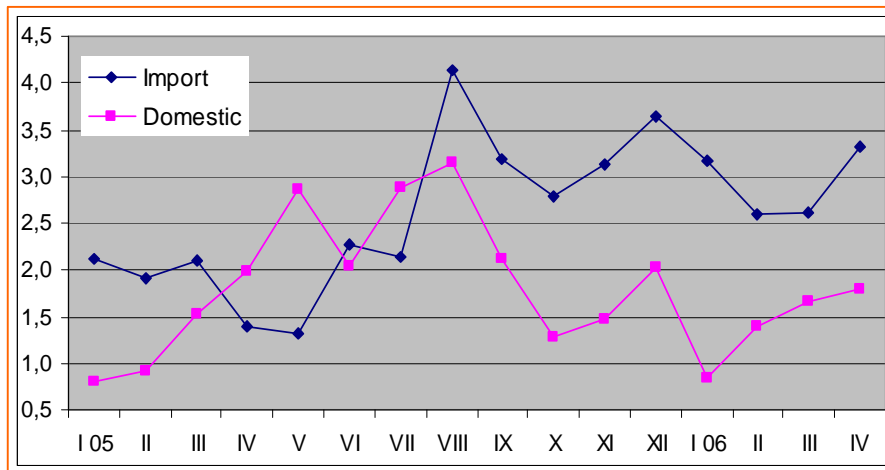
We can conclude that *revenues* from excise on alcohol and beer did not follow trends in *quantities* of imported alcohol and beer in observed period (their trends are different). While quantities of imports retained at more and less the same level (alcohol) or increased (beer), revenues from excises on these products decreased. Annual trends in quantities of imports and excise revenues from alcohol and beer are summarized in the Table 2.

	2003	2004	2005		2003	2004	2005
	Import in millions of liters				year/previous year		
<b>Alcohol</b>	5,05	4,97	4,85		...	98,39%	97,58%
<b>Beer</b>	111,04	137,78	140,78		...	124,08%	102,17%
	In KM mill.				year/previous year		
<b>Excise on alcohol and beer</b>	66,59	62,54	53,20		86,83%	93,92%	85,07%

Table 2. Import of alcohol and beer with excise revenues

Source: BiH Foreign trade chamber and Macroeconomic Analysis Unit

We should not exclude domestic production that together with imports create tax base for excise on alcohol and beer from the Table 2. More over, 43,4% of excise on alcohol and beer in 2005 was collected from domestic production.<sup>9</sup> So, one of possible explanations for revenues shortfall might be weakening of domestic production of alcohol and beer in observed period and excise revenues as a result. Data for the period from January 2005 to April 2006 suggest this development (see Graph 6) but these data should be taken with care due to short time period. Excise on domestic alcohol and beer in the first four months of 2005 represented 41,1% of these revenues while this decreased to 32,7% in the same period in 2006.



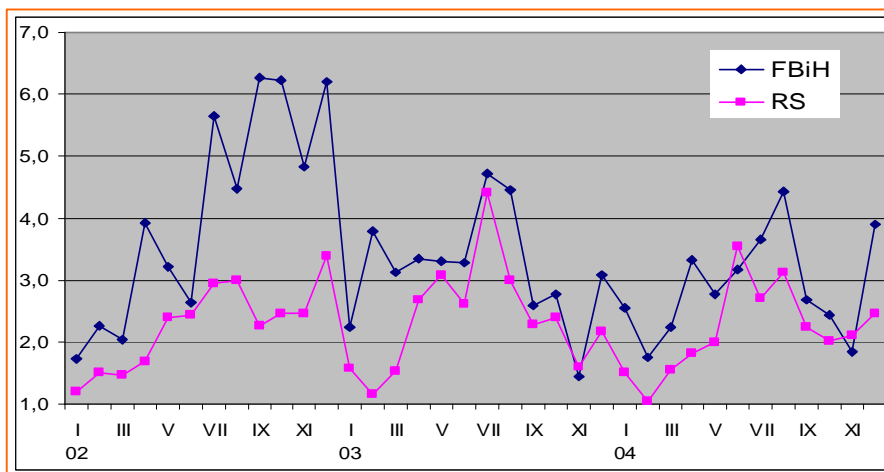
Graph 6. Excise on alcohol and beer, in KM mill.

It's hard to assume that there was significant decrease in consumption of alcohol and beer in the last three years as shown by revenue data, especially in the situation when we have increase of private consumption. If we reject assumption that consumption of alcohol and beer decreased in the period from 2002 to 2005, we can conclude that taxation for

<sup>9</sup> Macroeconomic Analysis Unit did not have breakdown of data on imports and domestic production for the period prior to 2005.

consumption of alcohol and beer decreased, meaning that **from year to year taxation of this consumption proportionally decreased.**<sup>10</sup>

Observed by entities, in the period until the shift to collection of indirect taxes to the single account in the beginning of 2005, revenues from excise on alcohol and beer were decreasing in both entities. This decrease was more significant in the Federation where revenues decreased by average rate of 16% in the period from 2002 to 2004, and this rate was 2% in RS (see Graph 7).

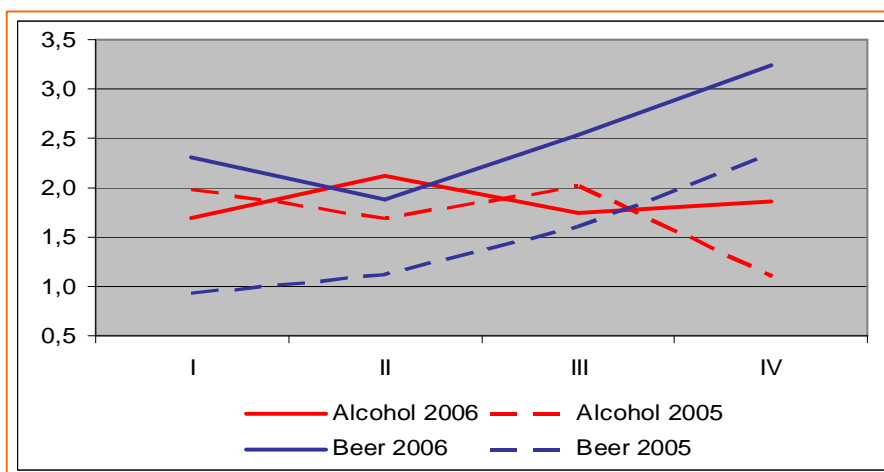


Graph 7. Revenues from excise on alcohol and beer, in KM mill.

As we can see, even in 2005 after the single Law on Excises in BiH went into force and single account was established, the decrease of these revenues continued in the amount of almost 15% compared to previous year.

### Increase of revenues in 2006

Data in 2006 suggest that negative trend in collection of revenues from excise on alcohol and beer switched, so collection for the first four months was 17,4 mill. KM or 36,3% more than in the same period last year. Result of such increase is mainly in increase of revenues from excise on imported beer that had highest increase (see Graph 8).



Graph 8. Excise on alcohol and beer, in KM mill.

<sup>10</sup> To analyze this, the Unit would need data that were not available.

However, these short term increases should be taken with care. On basis of the first two months this year, Macroeconomic Analysis Unit projected in March this year **increase of revenues from excise on alcohol and beer by 8% in 2006**, which represents **significant change of negative trend in the last few years.**

### Monthly Consolidated Report January – May 2006

(prepared by: Aleksandra Regoje)

mill KM

	I	II	III	IV	V	Total
<b>Current Revenues</b>	<b>218,1</b>	<b>360,4</b>	<b>384,9</b>	<b>342,7</b>	<b>401,7</b>	<b>1707,8</b>
<i>Taxes</i>	206,0	343,9	355,1	330,5	382,5	<b>1617,9</b>
<i>Indirect taxes</i>	190,7	322,6	323,6	315,9	366,4	<b>1519,2</b>
<i>VAT</i>	57,3	212,7	203,7	194,4	224,3	<b>892,4</b>
VAT on imports	56,5	102,6	136,7	134,2	165,7	<b>595,8</b>
VAT from VAT returns	0,8	100,7	75,9	76,6	75,4	<b>329,4</b>
VAT from automatic assessment done by ITA			0,1	0,7	0,1	<b>0,8</b>
One-off VAT payments	0,1	9,4	2,1	0,3	0,1	<b>12,0</b>
Other			0,1	0,1	0,2	<b>0,3</b>
<b>VAT refunds</b>			<b>-11,2</b>	<b>-17,5</b>	<b>-17,2</b>	<b>-45,9</b>
Customs duties	33,3	30,8	41,5	39,3	49,1	<b>194,0</b>
Sales tax	25,0	10,6	4,4	3,0	3,2	<b>46,2</b>
Imported excisable products	7,8	0,2	0,0	0,0	0,2	<b>8,2</b>
Domestic excisable products	1,1	2,0	0,2	0,1	0,1	<b>3,6</b>
Other products	9,4	4,1	2,3	1,2	1,2	<b>18,2</b>
On services	6,5	4,0	1,7	0,9	0,7	<b>13,8</b>
Others	0,2	0,3	0,2	0,7	0,9	<b>2,3</b>
Excises	62,8	56,9	63,1	66,4	74,0	<b>323,1</b>
on imports	50,5	45,7	48,4	54,1	58,0	<b>256,7</b>
on domestic production	12,3	11,2	14,7	12,3	16,0	<b>66,5</b>
Railroad tax	11,9	11,2	12,1	14,3	15,9	<b>65,3</b>
Other	0,4	0,5	0,7	0,7	0,9	<b>3,2</b>
<b>Other refunds</b>			<b>-1,9</b>	<b>-2,2</b>	<b>-1,0</b>	<b>-5,1</b>
<i>Direct taxes</i>	15,3	21,3	31,5	14,7	16,1	<b>98,7</b>
Income taxes	6,9	10,3	20,0	3,6	3,4	<b>44,3</b>
<i>Other tax revenues</i>	8,4	10,9	11,4	11,0	12,7	<b>54,5</b>
<i>Non-tax income</i>	11,6	16,1	29,7	12,0	19,0	<b>88,4</b>
Grants, gifts	0,0	0,3	0,1	0,0	0,0	<b>0,4</b>
Transfers from higher level of gvmt	0,5	0,1	0,1	0,1	0,1	<b>0,9</b>

mill KM

	I	II	III	IV	V	Total
<b>Current expenditures</b>	<b>203,4</b>	<b>298,8</b>	<b>221,6</b>	<b>339,6</b>	<b>389,2</b>	<b>1452,6</b>
<i>Consumption expenditures</i>	28,5	43,5	46,7	48,2	36,5	<b>203,5</b>
<i>Wages and compensations</i>	25,8	37,4	39,6	40,5	29,9	<b>173,2</b>
Wages	24,9	34,7	36,5	37,2	26,9	<b>160,2</b>
o/w: contributions	7,0	10,8	11,2	11,7	7,6	<b>48,3</b>
o/w: taxes on wages	1,6	1,9	2,1	2,1	1,5	<b>9,2</b>
Compensations	0,9	2,8	3,1	3,3	3,0	<b>13,1</b>
<i>Purchases of goods and services</i>	2,8	6,0	7,1	7,6	6,7	<b>30,3</b>
<i>Grants</i>	37,5	10,3	51,3	60,5	90,1	<b>249,7</b>
Transfers to households	32,5	3,6	45,2	38,3	68,7	<b>188,2</b>
Transfers to institutions/organizations	0,8	0,8	2,3	6,0	4,7	<b>14,5</b>
Subsidies	4,2	5,9	3,9	16,2	16,7	<b>47,0</b>
<i>Interest payments</i>	0,0	0,4	0,2	-0,3	0,1	<b>0,5</b>
<i>Other outlays</i>	0,8	2,3	1,7	6,7	3,4	<b>14,9</b>
<i>Transfers from Single Account</i>	134,4	237,1	117,1	192,0	233,0	<b>913,6</b>
BiH Budget	41,1	39,2	43,1	59,4	48,5	<b>231,2</b>
FBiH / Cantons, Road Fund	67,6	145,7	23,7	94,3	113,9	<b>445,2</b>
RS / Cities, Municipalities, Road Fund	13,1	15,6	18,7	11,6	24,3	<b>83,4</b>
Brcko Distrikt	4,5	9,3	9,8	9,2	11,6	<b>44,3</b>
<i>Amortization of debt</i>	8,0	27,4	21,8	17,4	34,8	<b>109,4</b>
Transfers to lower levels of government	3,1	4,8	4,7	37,7	25,0	<b>75,2</b>
<i>Net domestic lending*</i>	-0,9	0,4	-0,2	-5,2	1,1	<b>-4,8</b>
<b>Government Savings (1-2)</b>	<b>14,7</b>	<b>61,6</b>	<b>163,3</b>	<b>3,1</b>	<b>12,5</b>	<b>255,2</b>
<i>Capital receipts</i>	23,0	0,0	0,1	0,5		<b>23,7</b>
<i>Capital outlays</i>	0,1	0,4	0,7	0,9	1,4	<b>3,5</b>
<b>Government surplus/deficit (3+4-5)</b>	<b>37,6</b>	<b>61,2</b>	<b>162,8</b>	<b>2,7</b>	<b>11,1</b>	<b>275,4</b>
o/w: Reserves from ITA Single Account	16,2	31,6	20,6	13,7	20,8	<b>102,9</b>
<b>Net domestic financing**</b>		19,1	-0,4	-1,4	-0,9	<b>16,4</b>

\*Net domestic lending=lending-repayment of borrowing

\*\*Net domestic financing= Credits received – repayment of debts (doesn't include foreign debt)

Table 3. Monthly Consolidated report January - May 2006

## Monthly Consolidated Report General Government+Cantons January – May 2006

(prepared by: Aleksandra Regoje)

	I	II	III	IV	Ukupno
<b>Current Revenues</b>	<b>208.492.050</b>	<b>202.460.732</b>	<b>474.215.674</b>	<b>374.199.952</b>	<b>1.259.368.409</b>
<b>Taxes</b>	<b>179.149.157</b>	<b>165.416.682</b>	<b>420.985.468</b>	<b>321.558.848</b>	<b>1.087.110.156</b>
Income & profit tax	10.869.644	15.336.529	26.242.906	8.805.289	61.254.368
Social security contributions (Brcko)	1.159.755	1.159.755	1.159.755	1.451.012	4.930.276
Taxes on personal income and self-employment	17.587.400	18.902.445	21.020.856	22.441.617	79.952.317
Property tax	1.860.187	3.069.885	2.286.621	2.287.088	9.503.781
Sales tax (incl. excises) (according to Regulations until 31,12,2005)	66.606.544	30.906.213	16.437.171	11.196.162	125.146.090
Transfers from Single Account	80.474.755	95.169.890	351.415.982	274.196.264	801.256.891
Other taxes	590.872	871.966	2.422.178	1.181.416	5.066.432
<b>Non-tax revenues</b>	<b>28.448.738</b>	<b>35.814.648</b>	<b>52.640.776</b>	<b>52.184.942</b>	<b>169.089.104</b>
of which: Dividends of public enterprises	58.024	138	22.201	2.584	82.947
of wich: Licenses	134.733	409.905	54.224	70.207	669.069
<b>Grants</b>	<b>893.842</b>	<b>1.211.231</b>	<b>574.021</b>	<b>361.555</b>	<b>3.040.649</b>
of which: Grants from abroad	394.863	1.086.954	466.651	284.172	2.232.640
of which: Grants from other levels of government	498.979	124.277	107.370	77.383	808.009
<b>Other revenues</b>	<b>313</b>	<b>18.171</b>	<b>15.409</b>	<b>94.607</b>	<b>128.500</b>
<b>Total expenditures</b>	<b>200.453.667</b>	<b>211.079.350</b>	<b>256.663.577</b>	<b>302.106.410</b>	<b>970.303.004</b>
<b>Current expenditures</b>	<b>200.381.371</b>	<b>208.250.154</b>	<b>257.939.172</b>	<b>304.760.166</b>	<b>971.330.863</b>
Wages and compensations	112.676.502	123.682.945	131.135.104	132.348.968	499.843.519
of which: Gross wages	98.496.451	106.219.733	112.327.888	114.140.103	431.184.174
of which: Compensations	14.180.052	17.463.212	18.807.216	18.208.865	68.659.345
Other taxes and contributions	5.217.129	6.085.833	6.319.050	6.482.911	24.104.923
Purchases of goods and services	20.082.663	28.690.876	28.649.018	31.963.071	109.385.628
Current transfers	62.273.007	48.290.990	87.090.038	131.090.987	328.745.023
of which: Grants to other levels of government	6.272.393	8.079.508	5.476.492	39.648.570	59.476.964
of which: Grants to households	43.403.169	13.676.246	58.963.797	50.424.753	166.467.965
of which: Grants to non-profit organizations	3.217.982	13.325.620	11.303.282	13.463.606	41.310.490
of which: Grants to public enterprises	8.674.322	13.030.958	10.954.823	22.686.063	55.346.165
Capital grants	0	1.026.722	4.300.294	3.128.041	8.455.057
of which: Capital grants to other levels of government	0	0	105.683	1.184.332	1.290.015
Interest	132.070	472.788	445.669	-253.812	796.714
<b>Transfers to lower spending units</b>	<b>242.932</b>	<b>363.373</b>	<b>429.670</b>	<b>609.069</b>	<b>1.645.044</b>
<b>Net lending*</b>	<b>-913.376</b>	<b>287.470</b>	<b>-3.425.273</b>	<b>-5.820.841</b>	<b>-9.872.019</b>
<b>Other expenditures</b>	<b>742.739</b>	<b>2.178.353</b>	<b>1.720.008</b>	<b>2.558.016</b>	<b>7.199.116</b>
<b>Capital revenue</b>	<b>20.879.835</b>	<b>-1.411.831</b>	<b>-2.401.460</b>	<b>-2.775.034</b>	<b>14.291.511</b>
Capital revenues	20.879.835	-1.411.831	-2.401.460	-2.775.034	14.291.511
of which: Net revenue on sale of fixed assets	20.758.846	-1.440.630	-2.536.569	-2.910.259	13.871.389
<b>Government surplus/deficit</b>	<b>28.918.218</b>	<b>-10.030.448</b>	<b>215.150.637</b>	<b>69.318.508</b>	<b>303.356.915</b>
<b>Net financing**</b>	<b>-34.802</b>	<b>19.073.571</b>	<b>-412.710</b>	<b>-1.410.605</b>	<b>17.215.454</b>

\*Net domestic lending = lending - repayment of borrowing  
 \*\*Net domestic financing = Credits received - repayment of debts

Table 4. Monthly Consolidated Report General Government+Cantons January-April 2006. godine

**Notes to Table 3:**

1. The consolidated report includes:
  - revenues from indirect taxes collected by the Indirect Tax Authority on the Single Account,
  - transfers from the ITA Single Account for external debt servicing,
  - transfers from the ITA Single Account for financing Brčko District, cantons, municipalities and Road Directorates,
  - revenues of the budget of Bosnia and Herzegovina from the ITA Single Account,
  - revenues and expenditures of the budget of the Federation of Bosnia and Herzegovina,
  - revenues and expenditures of the budget of the Republika Srpska.
2. Figures on revenues and expenditures of the Federation of Bosnia and Herzegovina and the Republika Srpska are not fully reconciled due to different accounting methods.

**Notes to Table 4:**

1. The consolidated report includes:
  - revenues and expenditures of the budget of Bosnia and Herzegovina,
  - revenues and expenditures of the budget of Brčko District,
  - revenues and expenditures of the budget of the Federation of Bosnia and Herzegovina,
  - revenues and expenditures of the budget of the Republika Srpska,
  - revenues and expenditures of the budget of eight cantons in the Federation (missing cantons: Herceg-Bosna and West Herzegovina).
2. Figures on revenues and expenditures of the Federation of Bosnia and Herzegovina and the Republika Srpska are not fully reconciled due to different accounting methods.

## Meeting with the representatives of extra budgetary funds in Bosnia and Herzegovina

**Sarajevo, June 8, 2006**

With the aim to implement the last phase in establishing the system for monthly reporting for revenues and expenditures of all administration levels in BiH, the Unit had initial meeting with the representatives of extra budgetary funds in Bosnia and Herzegovina. The Unit's work up to now was presented at the meeting as well as concept of reporting for all administration levels in the country through standard form via Internet.

Representatives from funds expressed the problems that they are facing with in the work due to disharmonized financial reporting, budget codes and framework of accounts. There are huge differences in financial reporting of institutions/services between cantons. There is a need for coordination and harmonization in reporting in the view of harmonizing reporting format for different levels (canton, entity, IMF and Unit. There is also urgent need for making special rules for financial planning and framework of accounts for extra budgetary funds since the accounting of funds significantly differs from budgetary accounting. The Unit underlined a need to include all extra budgetary funds into the system before the end of the year. It is also the request of the Fiscal Council, international community in BiH and one of the conditions for new stand by arrangement with IMF. Being aware of short deadline for submission of monthly data for the last five months in 2006, the Unit agreed on submission of data successively until the end of August. After this, there should be regular monthly dynamics in submission of data.

There were directors or heads of finance departments present from 24 extra budgetary funds. Consultants of EC project also addressed to those representatives. Aim of this project is to strengthen fiscal policy in BiH, which includes active work on harmonization of the reporting system for all administration levels and defining legal framework. The Unit would like to express thanks to the Foreign Trade Chamber for the conference room and technical equipment.



Representatives of Funds



from left: EC Consultants, A. Regoje, D. Antic, S. Hasanovic



## Activities of the Unit

### **Banja Luka, 16.06.2006**

Mr. Latcharez Dimitrov, NATO Deputy Political Advisor, visited the Indirect Taxation Authority and talked to Dinka Antić, MSc, discussing all aspects of VAT implementation and effects on the economy, population and budgets of governments in BiH.

They also discussed about ITA expectations and forecasts for collection of VAT and other indirect taxes in 2006. NATO in Bosnia and Herzegovina carefully follows and analyzes VAT effects in BiH, especially on budgets of governments. Dinka Antić emphasized that the ITA is satisfied with the collection of VAT and other indirect taxes as well as with operational aspects of the implementation.

ITA makes VAT refund payments to taxpayers on regular basis within legally prescribed deadline. It also allocates collected revenues to state and entities on daily basis. BiH share is fixed and all extra funds from VAT revenues are allocated to entities. ITA does control allocation within entities, and reserves in the single account have a purpose to ensure timely payments of refunds to taxpayers. Entities have competencies to allocate revenues to lower levels of administration and implement social programs. Dinka Antić underlined the role of the Macroeconomic Analysis Unit in process of monitoring revenues and expenditures at all levels of administration in BiH during the first year of VAT introduction. This is done through on basis of data that the Unit collects and analyzes.

### **Banja Luka, June 26th, 2006**

During a official visit of the IMF mission to Bosnia and Herzegovina, IMF delegation led by Mr. Dimitri Demekas, head of mission for Southeast Europe and BiH, talked to the staff of Economic Policy Planning Unit (EPPU) and Macroeconomic Analysis Unit about macro fiscal indicators of state in BiH economy in the first five months of 2006. Possible directions in trends of payment balance, revenues, budget and real sector growth in Bosnia and Herzegovina until 2011 were discussed.

Mr. John Norregaard, IMF resident representative in BiH, is leaving Bosnia and Herzegovina in the end of June 2006. Macroeconomic Analysis Unit would like to express great thanks to Mr. Norregaard for support provided to the Unit in the last year, especially in relation to establishing the system of monthly reporting for all levels of administration in BiH.