

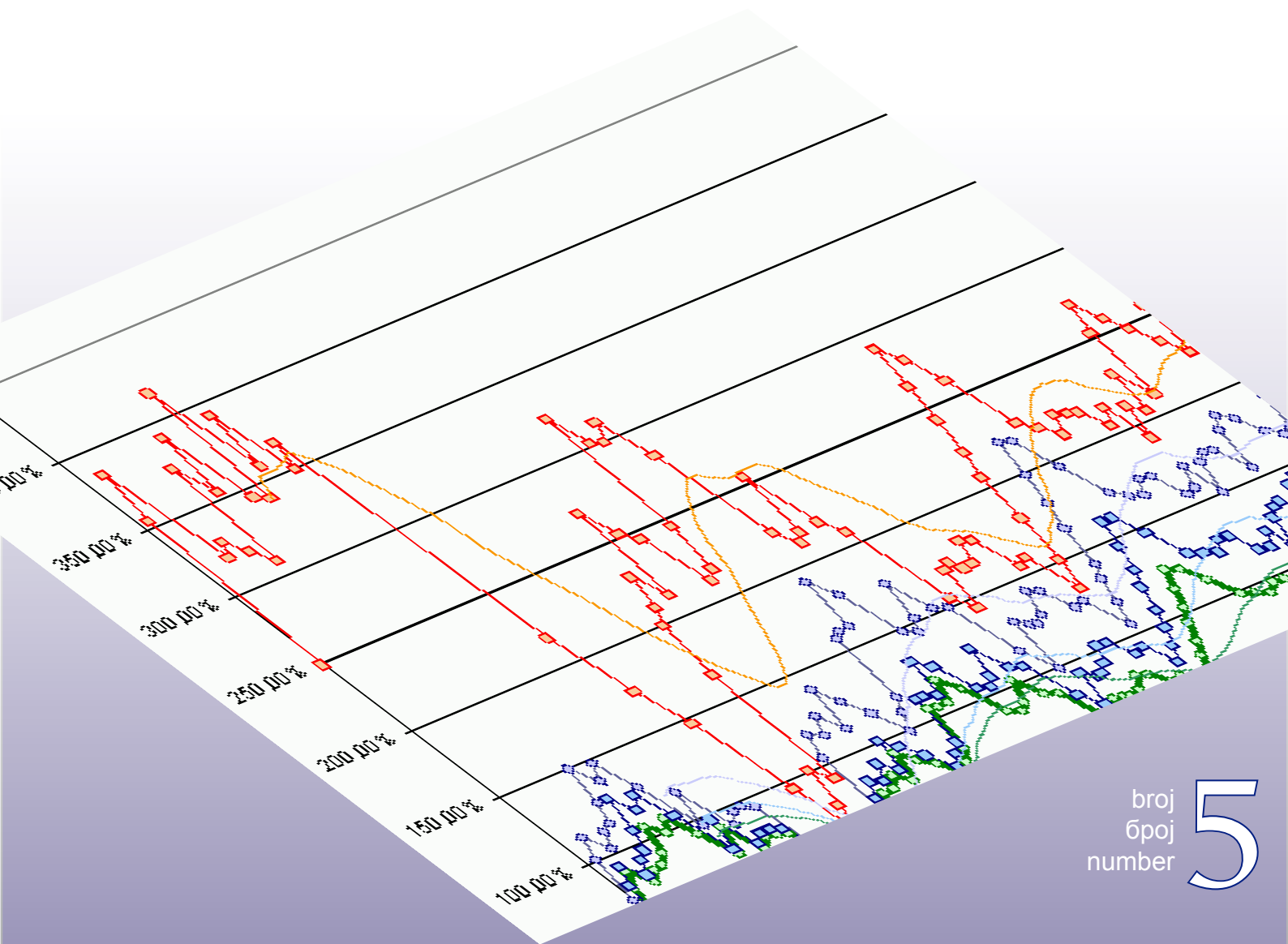
Bosna i Hercegovina  
Odjeljenje za makroekonomsku analizu  
Upravnog odbora Uprave za indirektno-  
neizravno oporezivanje



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*



broj  
број  
number

5

## With this issue...

Due to state, entity and religious holidays we are a bit late with presentation of MAU Bulletin for December 2005. The last month of previous year was marked by intensive work on external presentation of activities and tasks of the Unit. The presentation was made to the levels of administration (first of all to municipalities in Bosnia and Herzegovina) that are involved in monthly reporting as of this year. At the same time, there is intensive work on data processing and finalizing database for monthly consolidated reporting.

Monthly reporting for all levels of administration is priority task of the Unit. Prof. dr. Paul Bernd Spahn, IMF expert, in charge of establishing the Unit, presents the article precisely explaining essence of the request for establishing new system of monthly consolidated reporting for all levels of administration, methodology and approach of the Unit, basic steps and phases of the new reporting system. There was also presentation of general standard form for data delivery and format of reporting on consolidated monthly revenues and expenditures.

As part of our regular column in our bulletin, we are presenting you analysis revenue inflow to the ITA single account for eleven months of 2005 with the comparison for the same period in 2004.

We are continuing with the practice of publishing consolidated reports that include fiscal operations of entities and single account for November. According to dynamics of received data from state and entity ministries of finance, we also publish monthly consolidated report that includes fiscal operations of BiH and Brcko budgets, and total revenues collected at the entity level for 10 months in 2005.

mr.sc. Dinka Antić  
Head of Unit – supervisor

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## **Current events: Brussels conference on fiscal sustainability**

(prepared by: Dinka Antić)

The conference on fiscal sustainability and priorities in building institutions in Bosnia and Herzegovina took place in Brussels on December 6, 2005. The conference was coordinated and chaired by European Commission and World Bank with active participation of the BiH Government delegation. It was the right place for exchange of opinion between main partners in discussion – representatives of the international community: International Monetary Fund, Office of High Representative, governments of USA, UK, Germany, France and Netherlands with the authorities of Bosnia and Herzegovina in regards to future fiscal policy. The main results and conclusions of the conference are following:

Position of Bosnia and Herzegovina was considered in the light of negotiations on Agreement on stabilization and association with European Union. Country's strategy should be fully directed to European partnership based on Action plan as main framework for meeting the requests of EU.

The international community emphasized concern about economic and fiscal position of the country that requires timely and efficient political actions. Bosnia and Herzegovina is faced with huge deficit of current account and enormous public revenues. Macroeconomic data are not secure base for making policy. Fiscal adjustments can be made easier by restructuring of companies and improving business environment which leads to economic growth and reduction of unemployment and poverty.

The international community strongly recommended that continuous increase of revenues in 2006 as the result of VAT should not be used for public consumption despite pressures related to forthcoming elections. These should be used for decreasing tax burden on labor. Fiscal compliance and consolidation, reduction of public consumption, structural reforms and rationalization of tax system can contribute to building BiH institutions in the light of joining EU. In this context, concluding new stand by arrangement with IMF and conducting advanced reforms supported by World Bank funds would be complementary to European process.

BiH authorities must establish public consumption constraints and strong fiscal policy especially when it comes to parliamentary elections in BiH without making compromise with speed and obligations to EU process. European Commission, IMF and World Bank will closely monitor progress in implementation of proposed reforms and recommendations.

## **A new monthly fiscal reporting and monitoring system for Bosnia and Herzegovina**

(prepared by: prof. Dr. Paul Bernd Spahn, Macro Fiscal Advisor)

The Macroeconomic Analysis Unit is involved in all phases of consolidated budgeting process in Bosnia and Herzegovina: Based on the Macroeconomic Outlook for the next budget year, it prepares aggregate revenue estimates and translates them into budget envelopes for the State, the Entities, and Brcko District taking additional restrictions such as a primary budget surplus target, foreign debt service, allocation formulae, or the restructuring of budgets (such as the transfer of functions) into account.

Final decisions on these parameters rest with the National Fiscal Council to whose agenda MAU's analytical work contributes. Once the common framework for budgeting is agreed upon, governments and parliaments are able to establish their budgets by defining and setting their priorities at the expenditure side while respecting the macro fiscal constraint set by the National Fiscal Council.

### **Monthly reporting**

But MAU is also committed to monitoring budget execution on a monthly basis. This is the purpose of the monthly reporting system that starts operating this year. Its main features are the following:

- It is comprehensive in that it includes all levels of government, the State, the two Entities, Brcko District, ten cantons, 145 municipalities, 27 extra-budgetary funds, and the two Road Funds (we have not yet included this), so 188 budget users altogether. It does not yet include foreign financed projects, but it is planned to incorporate them by Entities on a quarterly basis at a later stage.
- The data will be consolidated at the national level. This poses certain problems for municipalities, which tend to establish consolidated reports (including villages) on a quarterly basis only. In order to facilitate reporting, MAU will incorporate monthly municipal data only in unconsolidated form, with appropriate corrections based on quarterly reporting.
- The reporting system strictly follows the adopted budget codes in order to ease data inputs for the budget users. However the presentation of the data requires adjustments that are done automatically at the level of MAU's data bank. This presentation can be adapted to varying needs provided that appropriate input data are available.
- Again to facilitate cooperation with the budget users, MAU offers various avenues for inputting monthly and quarterly data. The main road will be the internet. Users can register for this process, and then use their browser to access MAU's server for data input. It will become the standard access over time. In the short run, MAU also accepts reporting in conventional form such as fax or letter.
- As long as there is no legal basis for reporting to MAU, cooperation is voluntary. But MAU has requested the Entities' authorities to oblige sub-entity levels of governments to report to the new system. Over time MAU's monthly data base will become the only reference for fiscal analyses of all kinds. In particular Entities can draw on this base at their discretion, so budget users will no longer have to duplicate reporting.

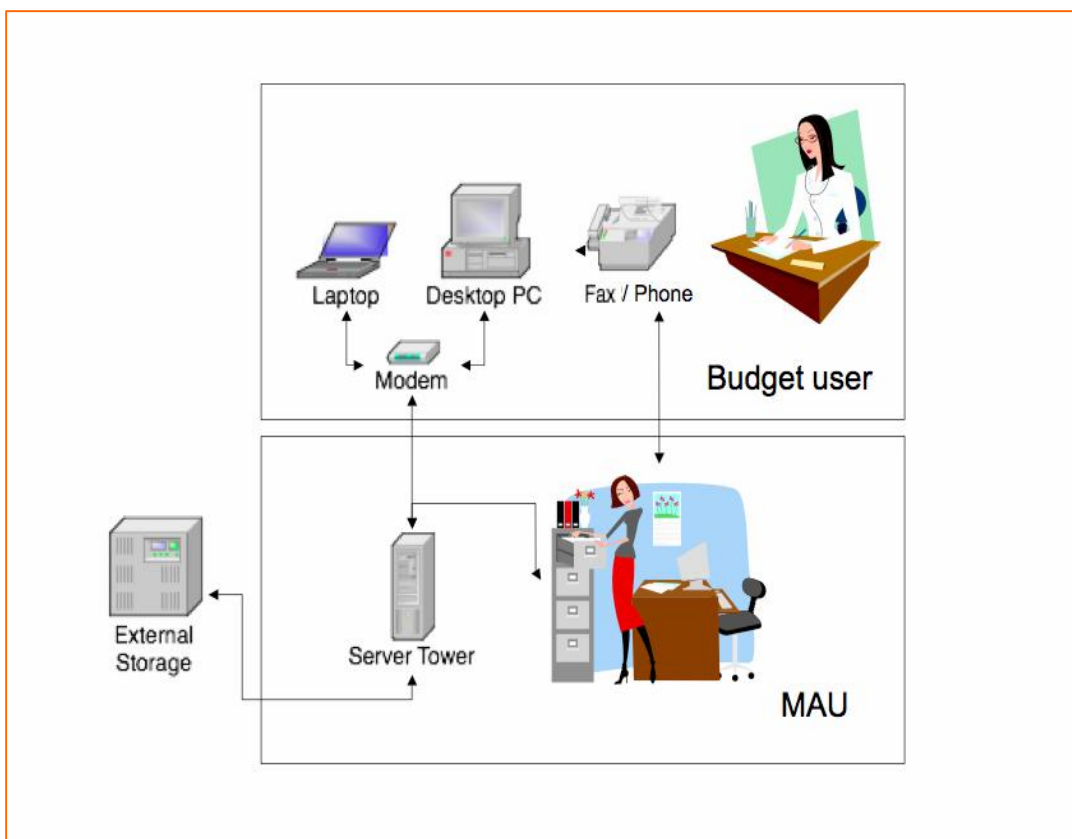
### **The basic approach**

In order to understand the basic approach of MAU's monthly reporting system, it is important to sketch a few organizational aspects.

The initial step is to establish a permanent contact between MAU and the 188 budget users in the country. This process has begun, and MAU has collected most contact information such as addresses, authorized persons, mode of operation, preferred language, etc. The data bank also includes basic data such as population, and previous annual budgets from 2004 on.

The person authorized will enter monthly data directly into a data bank. He or she is also able make necessary corrections to previously inputted data at any time. This process is monitored automatically, so MAU is able to identify who made what input or change, and when. The data bank is continuously being backed up.

To keep it simple, the input template for the user follows the budget codes with only a few additional memorandum items that are needed for analytical purposes. In fact the input is somewhat redundant, for instance input is required for subcategories but also for the category (sum) itself, to allow basic consistency checks. These checks are done automatically, but MAU staff will have to contact authorized persons for further clarification if needed.



Picture 1. Information Flows between Budget Users and the MAU

It is known that the coding system exhibits a number of inconsistencies. For instance, a few financing items (e.g., received payments from loans) are recorded under category 72 as non-tax revenue. This will be corrected automatically at the level of reporting from MAU's data bank, but it requires input of those items in order to do so.

This is why MAU is forced to ask for specific data although these are not reported directly. Other inconsistencies creep in at the user level. It is known that some users have invented new codes to accommodate for special needs, and that bookkeeping practice might not always be uniform throughout the country. MAU will assist the users in these instances to keep the coding system from diverging, and it is hoped that the standard input format will serve to harmonize coding conventions over time.

MAU expects a high degree of cooperation, but is prepared to cope with initial difficulties such as non-reporting or misreporting. Of course, the final monthly publication requires all large budget users to report, so the slowest of these users will determine the pace of reporting. But the system is able to make reasonable estimates for smaller budget users at the municipal level based on previous years' budgets or population figures. So the reports attempt to be comprehensive from the outset although full reporting is expected to phase in only over time.

### **The input template**

The template for monthly data reporting was developed in close cooperation with various actors both at the producing and the consuming ends. MAU hopes to have found a compromise between the various users' demands for specific data, and the need to keep monthly reporting as simple as possible. As said, budget users may still find the input template quite specific, perhaps even onerous, but this is often the result of inconsistencies in the budget coding system, which calls for corrections. Moreover, some information is required for proper consolidation of intra-agency flows of funds such as tax sharing or interagency transfers.

The input templates vary by groups of users: they will be different for the State, the Entities, the cantons, municipalities, and extra-budgetary funds. And there is a specific template for the Single Account. MAU records the specific indirect taxes of the Single Account as incoming flows, and it monitors the outflows from this account as well as the forming of reserves. At the recipients' ends, the only relevant figure to be reported are the inflows from the Single Account.

These should match the outflows from that account for consistency. No individual indirect tax should be reported at the Entity level to avoid double-counting. As to the treatment of cantons and municipalities, MAU has established a system of collecting data and consolidated reporting including the following:

- (i) recording of total revenues collected by the Treasury of the Entities as inflows at the entity level (as transfers from the Single Account plus collection of other taxes and revenues),
- (ii) recording of transfers to the Road Directorates, cantons and/or municipalities (i. e. transfers of a portion of the indirect taxes received from the Single Account and transfers of other direct and indirect taxes according to entity Laws), and
- (iii) the vertical consolidation of those transfers.

A final report of such a consolidation for 2005 includes the Single Account revenues as inflow and related costs of lower levels covered by those revenues and total transfers of indirect taxes to lower levels as outflow. By including the costs of lower levels of government, the transfers from the Single Account to lower levels will disappear from the consolidated report..

In the following the input template is shown as established for the 2006 budget year. It includes the standard budget codes, with only small variations between the Entities, and a few memorandum items where budget codes are not uniform throughout the country (e.g., severance pay). The full template is never applied as some lines are irrelevant for certain levels of government. This is shown in the last columns where colored fields indicate whether the line is pertinent for a particular group of authorities. In practice the template will appear in a collapsed form, i.e. irrelevant lines are suppressed for a particular budget user.

		Single Acc.	State	RS	Federation	Cantons	Brcko	RS Municip's	Fed Municip's	Fonds
	<b>Total Expenditures</b>									
60	Total expenditures									
61	Current expenditures									
6111	Salaries									
61112	o/w Taxes on salaries									
61113	o/w Contributions									
6112	Non-wage benefits									
612	Other taxes and contributions									
613	Purchases of goods and services									
614	Current transfers									
6141	to other levels of government									
6142	to households									
6143	to non-profit organizations									
614212	Transfers pension fund to health fund									
6144	to public enterprises									
6145	to private enterprises									
6146	to financial institutions									
615	Capital grants									
6151	to other levels of government									
616	Interest									
6161	paid through the State									
6162	foreign loans									
61632	paid to other levels of government									
633	Severance payments									
68	Transfers to lower spending units									
	<b>Total revenue</b>									
70	Total revenue									
71	Tax revenues									
711	Income & profit tax									
7111	Income tax									
7112	Profit tax									
7113	Capital gains tax									
7119	Other taxes on profits									
712	Social security contributions									
713	Taxes on personal income and self-employment									
714	Property tax									
7151	Sales tax									
715	Sales tax (incl.excises)									
7154	Excises									
71542	on imported goods									
71541	on domestic goods									
7153	Excises									
716	Customs duties									
717	VAT									
717111	o/w on imports									
719	Other taxes									







**Consolidation of data**

Flows of funds among authorities of the public sector have to be monitored to avoid double-counting. This is true in particular for tax sharing and interagency transfers. For instance it would overstate revenues if indirect taxes are recorded at the level of the Single Account and as incoming resource flows at the Entity level. In the same way tax sharing between Entities, cantons and municipalities will have to be consolidated to count for the resource flows only once, at the level of the final user of the transfer. Such vertical flows play an important role in Bosnia and Herzegovina and will have to be thoroughly monitored.

Another problem would be horizontal flows of funds among agencies within a group or level of government. For instance there could be transfers among municipalities or cantons in theory. While this might occur occasionally, horizontal interagency transfers are atypical for Bosnia and Herzegovina where there is no interagency equalization, and to the extent it exists (as in the RS) it is effected at the level of the grantor government. MAU assumes that there is little consolidation needed within each group of authorities, i.e. such transfers can be disregarded. However there are a few transfers between government authorities' budgets and extra-budgetary funds, and even among the latter (e.g., health insurance premiums paid by the pension funds), which MAU will monitor and consolidate.

MAU will record such transfers both at the giving and at the receiving ends to achieve consistency. In theory those transfers should add up to zero, but in practice this is unlikely to be the case due to various factors including misreporting. MAU attempts to identify such factors, but cannot avoid that some outflows may be reported as inflows only in the following month, which leads to discrepancies even if authorities report correctly. Despite such difficulties, MAU will always report 0 KM for interagency transfers at the consolidated level (although not for groupings of budget users), and show the discrepancy separately.

## Output reporting

On the basis of budget users' inputs, consistency checks, and interagency consolidation MAU will publish a regular monthly report, hopefully starting in the April 2006 bulletin. The format of this report is dictated by the needs of macro fiscal monitoring in view of expected stand-by arrangements with the IMF. In principle however, any output format is possible provided it is based on the set of inputs requested.

In the following the basic output table is reproduced. The algorithm generating this table from the input data is available on request. It is hoped that this service by MAU will be useful for all interested parties, and that the system may evolve in accordance with the varying needs of public authorities and citizens in Bosnia and Herzegovina.

<b>1</b>	<b>Current revenue</b>
11	Tax revenue
111	Indirect taxes
1111	Single Account
11111	Customs duties
11112	VAT
111121	o/w on imports
11113	Sales taxes (overhang)
11114	Excises
11115	Road tolls
11116	Allocation
11119	From SA (net)
1112	Sales taxes (carryover)
112	Direct taxes
113	Property taxes
114	Other taxes
12	Social security contributions
13	Non-tax revenue
131	o/w Dividends of public enterprises
132	o/w Interest from other levels of government
14	Transfers received
142	o/w Foreign grants
15	Transfers from other levels of government
<b>2</b>	<b>Current expenditures</b>
21	Gross wages
211	o/w severance payments
212	o/w Non-wage benefits
22	Purchases of goods and services
23	Transfers
231	o/w to businesses
232	o/w to households and non-profit organizations
24	Transfers to other levels of government
25	Interest payments
251	o/w Interest to other levels of government
<b>3</b>	<b>Capital budget</b>
31	Savings on current account (1)-(2)
32	Capital revenue and grants
321	o/w Capital grants from other levels of government
33	Fixed capital formation and reconstruction
331	o/w Capital grants to other levels of government
<b>4</b>	<b>Discrepancy</b>

<b>5</b>	<b>Overall balance</b>
51	Primary budget surplus
52	Primary budget surplus (adjusted)
<b>6</b>	<b>Financing</b>
61	Asset swaps
611	Sale of fixed assets and stocks (+)
612	Received repayments of given loans (+)
6121	o/w from other levels of government
613	Government lending (-)
6131	o/w to other levels of government
62	Net borrowing
621	Loans received (+)
6211	o/w through State
6212	o/w foreign
622	Repayment of debt (-)
6221	o/w through State
6222	o/w foreign

*Table 2. Output format for monthly reporting*

The monthly tables will distinguish the following institutional groupings: General government (consolidated), State, Federation of Bosnia and Herzegovina, cantons, Republika Srpska, Brcko District, municipalities (Federation), municipalities (RS), extra-budgetary funds, and Road Directorates.

Through its new reporting system, MAU expects establishing a powerful instrument for monitoring the consolidated public sector of Bosnia and Herzegovina that will bear fruit over time. While it makes its best efforts to provide the technical and analytical infrastructure for this monitoring device, the quality of the data largely hinges on the cooperative spirit of the reporting units.

The people of MAU express their gratitude to all people involved, and they hope that its professional and impartial analytical work will be widely appreciated.

## Monthly Consolidated Reports January – November 2005

Prepared by: Aleksandra Regoje, research assistant

in mill KM

	I	II	III	IV	V	VI	VII	VIII	IX	X	XI	XII	Q1	Q2	Q3	Q4	total
<b>Current Revenue</b>	<b>168,8</b>	<b>174,2</b>	<b>220,9</b>	<b>213,5</b>	<b>242,3</b>	<b>364,0</b>	<b>269,5</b>	<b>281,0</b>	<b>258,7</b>	<b>226,9</b>	<b>278,0</b>		<b>563,9</b>	<b>819,9</b>	<b>809,2</b>	<b>505,0</b>	<b>2698,0</b>
<i>Taxes</i>	159,7	158,3	200,0	201,3	224,3	226,9	221,7	261,0	236,9	208,9	231,3		518,0	652,5	719,6	440,1	2330,2
<i>Indirect taxes</i>	142,0	139,3	171,3	187,8	208,3	211,6	206,8	246,7	222,2	193,6	211,1		452,6	607,7	675,7	404,7	2140,8
Customs duties	31,8	36,1	45,8	48,1	52,7	53,7	49,7	55,9	59,4	54,5	56,4		113,7	154,5	165,0	110,9	544,1
Sales Tax	45,9	44,6	56,6	61,7	70,4	69,4	72,1	84,5	73,2	65,9	69,6		147,2	201,5	229,8	135,5	713,9
Excises	54,8	49,0	56,4	64,5	70,6	72,1	69,3	87,3	73,8	60,4	68,8		160,2	207,2	230,3	129,2	726,9
Railroad tax	9,3	9,3	12,1	13,1	14,2	15,5	15,4	18,7	15,3	12,2	15,7		30,7	42,8	49,3	27,9	150,8
<i>Direct taxes</i>	17,6	19,0	28,7	13,5	15,9	15,3	14,9	14,4	14,6	15,3	20,2		65,4	44,7	43,9	35,4	189,4
<i>Non-tax income</i>	9,0	15,9	20,9	12,2	18,0	137,1	33,1	19,9	21,8	17,7	46,6		45,8	167,2	74,8	64,2	352,1
<i>Grants, gifts</i>	0,1				0,1	0,1	14,7	0,1		0,4	0,2		0,1	0,2	14,8	0,6	15,7
<b>Current expenditures</b>	<b>125,2</b>	<b>198,2</b>	<b>218,9</b>	<b>219,1</b>	<b>233,4</b>	<b>292,0</b>	<b>198,4</b>	<b>237,7</b>	<b>228,3</b>	<b>219,4</b>	<b>270,8</b>		<b>542,2</b>	<b>744,6</b>	<b>664,4</b>	<b>490,3</b>	<b>2441,4</b>
Consumption expenditures	30,9	54,8	71,7	64,0	62,2	94,9	41,1	59,3	60,9	67,8	63,5		157,4	221,1	161,3	131,3	671,1
Salaries and non-wage labor costs	25,2	45,6	62,4	53,9	53,4	85,2	32,6	52,1	52,6	56,6	53,2		133,1	192,5	137,2	109,8	572,7
of which: Compensations	1,7	10,9	13,1	13,2	13,2	29,3	2,9	14,4	14,5	15,1	14,5		25,7	55,8	31,8	29,6	142,8
Purchases of goods and services	5,8	9,2	9,3	10,1	8,8	9,7	8,5	7,3	8,3	11,2	10,3		24,3	28,6	24,1	21,5	98,5
Grants	32,8	60,4	60,1	62,2	60,0	103,2	66,1	60,7	65,9	63,4	82,9		153,3	225,4	192,7	146,3	717,7
Transfers to households	8,8	37,8	35,7	38,9	36,5	78,3	39,5	37,4	41,8	38,1	58,2		82,4	153,7	118,7	96,3	451,1
Transfers to organizations/institutions	19,8	15,5	19,0	14,1	16,8	16,1	14,4	13,1	14,3	16,3	15,6		54,2	46,9	41,8	31,9	174,8
Subsidies	4,2	7,1	5,4	9,3	6,7	8,7	12,2	10,2	9,8	9,1	9,0		16,7	24,8	32,2	18,1	91,7
of which: Public enterprises																	
Interest payments	0,4	3,0	2,0	1,4	5,1	4,4	0,4	4,3	2,2	1,8	5,7		5,3	10,9	6,9	7,4	30,6
Other outlays	5,5	9,2	10,6	9,6	8,0	6,7	10,3	8,5	9,7	9,1	13,3		25,3	24,3	28,5	22,5	100,6
Transfers from Single Account	44,2	45,1	60,9	64,3	62,5	69,0	66,8	81,4	72,2	62,8	66,3		150,2	195,8	220,4	129,1	695,6
BiH Budget	18,6	19,6	23,5	20,6	20,6	21,5	20,6	22,5	21,5	20,6	20,6		61,7	62,6	64,6	41,1	230,0
FBiH/cantons, Road Directorate	16,8	15,4	25,0	27,9	27,4	32,8	32,0	37,9	33,6	28,7	28,7		57,1	88,1	103,5	57,4	306,1
RS / municipalities, cities, Road	5,8	6,1	7,4	10,2	8,3	8,2	7,8	13,0	10,2	7,7	10,3		19,3	26,6	31,0	18,0	95,0
Brčko	3,1	4,0	5,1	5,7	6,2	6,5	6,3	7,7	6,8	5,8	6,6		12,2	18,4	20,8	12,3	63,7
Amortization of debt																	
of which: foreign debt	10,5	24,8	12,7	16,3	34,7	12,4	12,7	22,4	16,4	13,6	37,2		47,9	63,4	51,4	50,9	213,6
Transfers to higher levels of authority																	
Transfers to Municipalities	0,9	0,9	0,9	1,3	0,9	1,5	0,9	1,1	1,1	0,9	1,9		2,7	3,7	3,2	2,8	12,3
<b>Government Savings (1 - 2)</b>	<b>43,6</b>	<b>-24,0</b>	<b>2,0</b>	<b>-5,6</b>	<b>8,9</b>	<b>72,1</b>	<b>71,2</b>	<b>43,3</b>	<b>30,3</b>	<b>7,5</b>	<b>7,2</b>		<b>21,6</b>	<b>75,3</b>	<b>144,8</b>	<b>14,7</b>	<b>256,5</b>
Capital outlays	1,6	3,5	1,9	1,7	2,4	33,3	15,3	3,3	1,9	2,6	2,2		6,9	37,4	20,5	4,8	69,6
<b>Government surplus/deficit (3-4)</b>	<b>42,1</b>	<b>-27,5</b>	<b>0,1</b>	<b>-7,4</b>	<b>6,5</b>	<b>38,8</b>	<b>55,9</b>	<b>40,0</b>	<b>28,4</b>	<b>4,9</b>	<b>5,0</b>		<b>14,7</b>	<b>37,9</b>	<b>124,4</b>	<b>9,9</b>	<b>186,9</b>

Table 3. Monthly consolidated Reports January – November 2005.

## Monthly Consolidated Reports January – October 2005

Prepared by: Aleksandra Regoje, research assistant

													in mill KM				
	I	II	III	IV	V	VI	VII	VIII	IX	X	XI	XII	Q1	Q2	Q3	Q4	total
<b>Current Revenue</b>	<b>443,2</b>	<b>499,1</b>	<b>548,1</b>	<b>537,4</b>	<b>554,5</b>	<b>702,2</b>	<b>626,8</b>	<b>626,6</b>	<b>601,4</b>	<b>574,5</b>			<b>1490,3</b>	<b>1794,1</b>	<b>1854,7</b>	<b>574,5</b>	<b>5713,6</b>
<b>Taxes</b>	264,1	249,4	310,1	304,7	331,4	336,3	336,8	378,1	349,5	327,9			823,6	972,4	1064,4	327,9	3188,3
<b>Indirect taxes</b>	228,9	206,3	251,7	262,8	288,9	293,6	290,3	335,2	305,2	282,3			686,9	845,3	930,7	282,3	2745,2
Customs duties	31,9	36,1	45,9	48,1	52,7	53,6	49,7	55,9	59,5	54,6			114,0	154,5	165,1	54,6	488,1
Sales Tax	128,1	110,9	135,9	136,4	150,8	151,2	155,4	172,8	156,0	154,4			374,9	438,4	484,2	154,4	1452,0
of which on imports	30,3	22,8	28,2	32,9	35,3	39,1	35,2	44,2	41,3	36,1			81,3	107,3	120,6	36,1	345,3
Domestic exciseable products	7,2	7,1	7,6	9,4	12,2	10,8	14,5	17,5	11,1	6,8			21,8	32,4	43,0	6,8	104,0
Other products	57,4	51,1	64,4	61,2	66,1	67,3	68,5	75,9	70,8	74,8			172,9	194,6	215,3	74,8	657,7
On services	28,1	27,4	32,5	30,3	34,7	32,1	35,6	34,1	31,5	35,2			87,9	97,1	101,2	35,2	321,4
Other	5,1	2,5	3,3	2,6	2,4	1,9	1,7	1,1	1,3	1,5			11,0	7,0	4,1	1,5	23,5
Excises	55,4	49,5	56,8	64,7	70,6	72,2	69,3	87,3	73,8	60,4			161,7	207,6	230,4	60,4	660,1
on imports	39,6	36,5	43,5	49,7	51,5	56,2	48,5	62,9	56,0	48,2			119,6	157,5	167,4	48,2	492,7
on domestic production	15,8	13,0	13,3	15,0	19,1	16,0	20,8	24,4	17,8	12,2			42,1	50,1	63,0	12,2	167,4
Railroad tax	13,2	9,5	12,5	13,2	14,3	15,6	15,4	18,8	15,4	12,3			35,2	43,0	49,6	12,3	140,1
Other taxes	0,3	0,4	0,5	0,4	0,5	0,9	0,4	0,4	0,5	0,6			1,1	1,8	1,3	0,6	4,9
<b>Direct taxes</b>	35,2	43,1	58,5	41,9	42,4	42,8	46,4	43,0	44,3	45,7			136,7	127,1	133,7	45,7	443,1
Income taxes	35,2	43,1	58,5	41,9	42,4	42,8	46,4	43,0	44,3	45,7			136,7	127,1	133,7	45,7	443,1
Corporate income	7,9	10,4	16,2	6,3	5,0	6,0	7,0	6,2	6,3	6,0			34,4	17,2	19,5	6,0	77,3
Other income	6,4	8,7	10,5	7,0	6,7	6,4	6,8	6,7	7,2	7,2			25,5	20,1	20,7	7,2	73,6
Other direct taxes	21,0	24,0	31,8	28,6	30,8	30,4	32,7	30,0	30,7	32,4			76,7	89,8	93,4	32,4	292,3
Non-tax income	22,8	79,8	35,5	28,4	41,3	153,5	71,1	42,0	39,4	40,6			138,1	223,2	152,4	40,6	554,3
Local government revenue																	
Social security contributions	137,8	146,5	179,1	168,1	161,5	178,3	181,8	182,6	184,1	185,7			463,4	507,8	548,4	185,7	1705,3
Other income	16,4	23,0	22,9	34,5	20,0	26,9	22,6	23,5	21,7	20,2			62,4	81,4	67,8	20,2	231,8
Grants, gifts	2,1	0,3	0,4	1,7	0,4	7,2	14,6	0,4	6,7	0,1			2,8	9,2	21,7	0,1	33,8
Transfers from higher level of gov.				0,0		0,0	0,0	0,0	0,0	0,0				0,0	0,1	0,0	0,1

	I	II	III	IV	V	VI	VII	VIII	IX	X	XI	XII	Q1	Q2	Q3	Q4	total
<b>Current expenditures</b>	<b>380,5</b>	<b>509,5</b>	<b>531,8</b>	<b>514,0</b>	<b>533,0</b>	<b>609,5</b>	<b>534,0</b>	<b>564,6</b>	<b>548,3</b>	<b>559,8</b>			<b>1421,9</b>	<b>1656,5</b>	<b>1647,0</b>	<b>559,8</b>	<b>5285,2</b>
<i>Current expenditures</i>	57,8	84,3	104,5	98,0	95,8	133,9	71,3	92,2	94,5	101,7			246,7	327,7	258,0	101,7	934,0
<i>Wages and compensations</i>	42,5	64,5	83,6	73,7	74,6	109,9	53,7	75,1	74,6	78,5			190,7	258,2	203,4	78,5	730,9
Wages	38,4	51,0	67,1	57,3	58,0	73,0	47,1	55,8	56,2	60,1			156,5	188,3	159,1	60,1	564,1
of which: Social security contributions																	
of which: Income taxes																	
Non-wage labor costs	4,1	13,5	16,5	16,3	16,6	37,0	6,5	19,4	18,4	18,4			34,1	69,9	44,3	18,4	166,8
<i>Purchases of goods and services</i>	12,5	17,0	18,0	20,3	17,5	20,6	17,4	16,7	19,9	23,1			47,5	58,3	54,0	23,1	182,9
<i>Other current expenditures</i>	2,8	2,8	2,8	4,1	3,7	3,3	0,2	0,4	0,0	0,1			8,5	11,1	0,6	0,1	20,3
<i>Grants</i>	171,1	207,7	240,0	229,6	222,0	283,6	250,0	244,1	251,5	251,9			618,9	735,2	745,5	251,9	2351,6
Transfers to households	9,5	38,6	36,5	40,0	37,5	80,4	42,1	39,2	44,4	42,0			84,6	157,9	125,7	42,0	410,2
Transfers to organizations/institutions	20,5	16,2	19,7	15,1	17,5	17,6	15,3	13,4	14,5	16,6			56,3	50,2	50,4	16,6	166,2
Transfers to funds based on social security contributions	136,9	145,9	178,5	165,2	160,2	176,9	180,4	181,3	182,8	184,3			461,3	502,3	517,6	184,3	1692,4
Subsidies	4,2	7,1	5,4	9,3	6,7	8,7	12,2	10,2	9,8	9,1			16,7	24,8	32,2	9,1	82,7
of which: Public enterprises																	
<i>Interest payments</i>	0,4	3,0	2,0	1,4	5,1	4,4	0,4	4,3	2,2	1,8			5,3	10,9	6,9	1,8	24,9
of which: on foreign debt																	
<i>Other outlays</i>	5,7	9,4	10,7	9,8	8,2	6,8	10,3	8,5	9,7	9,1			25,8	24,8	28,5	9,1	88,2
<i>Transfers from Single Account</i>	0,3	0,3	0,3	0,8	1,0	1,6	1,9	0,8	1,3	1,1			0,9	3,4	4,0	1,1	9,4
Reserve	0,0	0,0	0,0	0,0	0,1	0,0	0,1	0,2	0,1	0,1			0,0	0,1	0,4	0,1	0,6
<i>Amortization of debt</i>																	
of which: foreign debt	10,5	24,8	12,7	16,3	34,7	12,4	12,7	22,4	16,4	13,6			47,9	63,4	51,4	13,6	10,5
<i>Transfers to higher level of gov.</i>																	
<i>Transfers to lower (incl. transfers from Single Accounts)</i>	134,8	180,1	161,5	158,1	166,0	166,8	187,3	192,2	172,9	180,4			476,3	490,9	552,3	180,4	134,8
<b>Government Savings (1-2)</b>	<b>62,6</b>	<b>-10,5</b>	<b>16,3</b>	<b>23,4</b>	<b>21,5</b>	<b>92,6</b>	<b>92,8</b>	<b>61,9</b>	<b>53,0</b>	<b>14,7</b>			<b>68,4</b>	<b>137,6</b>	<b>207,8</b>	<b>14,7</b>	<b>62,6</b>
<i>Capital outlays</i>	2,1	3,7	2,1	2,5	3,2	34,0	17,3	5,0	10,9	7,0			7,9	39,6	33,3	7,0	2,1
<b>Government surplus/deficit (3-4)</b>	<b>60,5</b>	<b>-14,2</b>	<b>14,2</b>	<b>20,9</b>	<b>18,3</b>	<b>58,7</b>	<b>75,5</b>	<b>56,9</b>	<b>42,1</b>	<b>7,7</b>			<b>60,5</b>	<b>97,9</b>	<b>174,5</b>	<b>7,7</b>	<b>60,5</b>

Table 4. Montly consolidated Reports January – October 2005.

**Notes to Report (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 Report (table 4):**

1. The consolidated report includes:
  - revenues from indirect taxes collected by the Indirect Tax Authority on the Single Account,
  - revenues of the budget of Bosnia and Herzegovina,
  - revenues of the Federation of Bosnia and Herzegovina, the Republika Srpska and Brčko District,
  - expenditures of the budget of the Federation of Bosnia and Herzegovina, the Republika Srpska and Brčko District.
2. Revenues of the entities include the revenues collected by the Treasury of the entities.
3. Transfers to lower levels (cantons, municipalities, Road Directorates, etc.), which are distributed on lower levels in accordance with entity legalization, include transfers from the ITA Single Account and transfers of other revenues collected at the level of the entities.
4. 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.



### ITA Single Account

As of January 1<sup>st</sup>, 2005 ITA is the only authorized institution in BiH to collect indirect taxes: customs duties, excise, sales tax on excisable goods and road tolls. According to dynamic plan of collection it is foreseen that ITA will collect approximately 2 billion KM to the single account from indirect taxes under its authority.

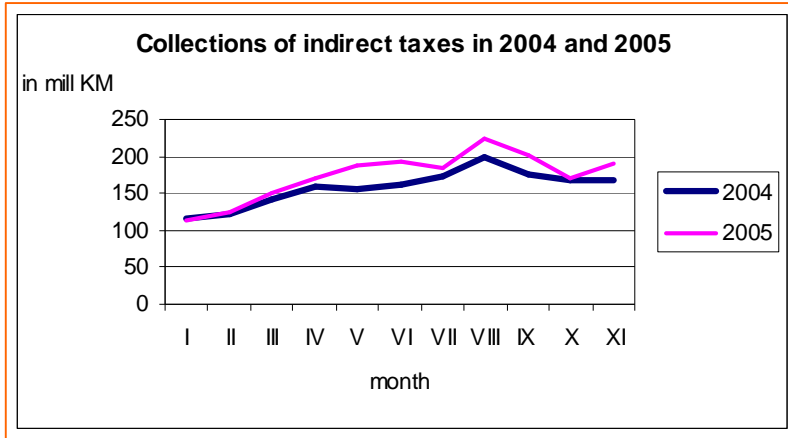


Figure 1. Collections of indirect taxes in 2004 and 2005

For 11 months in 2005, ITA exceeded annual plan for collection of indirect taxes for almost 4%. In comparison with previous month that growth is 10% and 12% compared with the same month in 2004. As it can be seen in Figure 1# revenue collection in November shows slightly faster growth compared to 2004 which can be explained by making stocks of goods before VAT introduction.

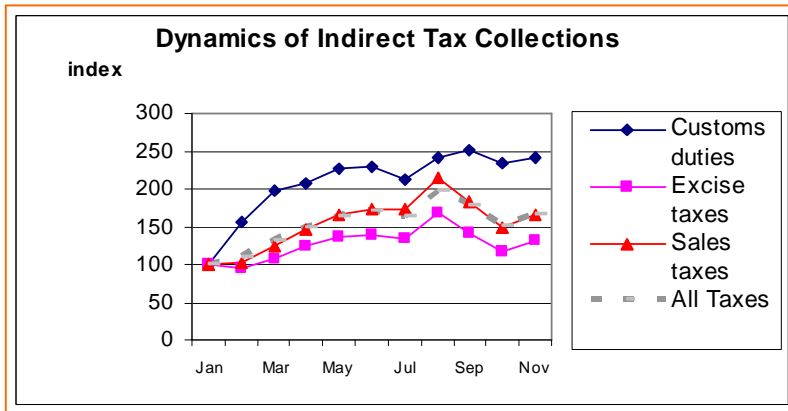


Figure 2. Dynamics of Indirect Tax Collections

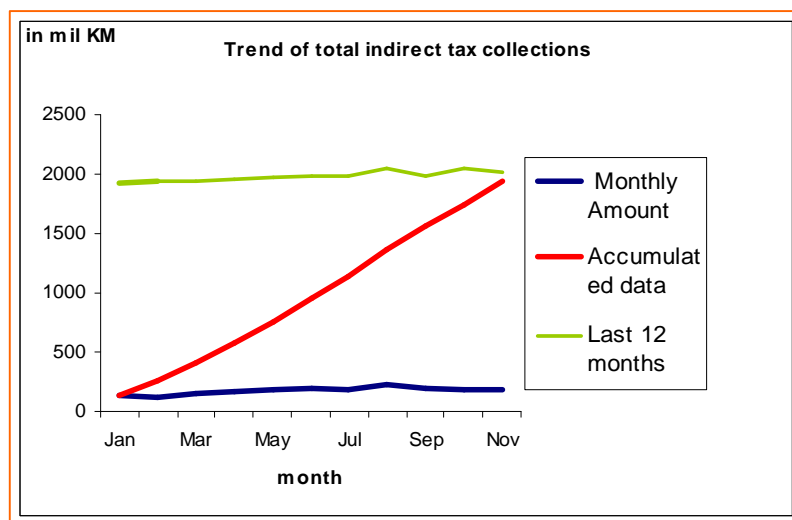


Figure 3. Trend of total indirect tax collections

In November 2005 there was increase in collection of all main revenues from indirect taxes. Highest increase in November was with excise, 13% compared to October. There was a bit lower rate of increase for sales tax on excisable products. Movements of collection for most important groups of revenues and total of indirect taxes collected by ITA is presented in Figure 2# and Figure 3#

## From activities of the unit

### 9 – 13. December 2005

With the aim to establish system of monthly reporting on revenues and expenditures for all levels of the administration, the Unit had number of initial meetings with municipal representatives in Bosnia and Herzegovina. At the meetings that took place in Tuzla, Banja Luka and Sarajevo current work of the unit was presented as well as concept of reporting for all levels of administration in the country through standard form of reporting and via Internet. After the presentation of prof. dr. Spahn on new fiscal architecture in Bosnia and Herzegovina, with mention of status of municipalities after the VAT introduction, some participants spoke about problems related to preparation of budgets for 2006 as well as problems for financing municipalities from ITA single account. The need was emphasized to define fair criteria of horizontal allocation between municipalities in order to enable development undeveloped regions and municipalities and at the same time ensure further growth of developed regions and cities. Agreement was reached on next tasks on establishing system for monthly reporting on revenues and expenditures of municipalities as well as budget execution for 2004 and 2005. and delivery of budgets for 2006. This is to form database for monitoring of monthly budget execution in municipalities during 2006.

### 20. December 2005

As part of "ITA open days" Dinka Antić gave presentation for medias on concept and aspects of VAT introduction in BiH, in the light of fiscal reform in indirect taxation field. A number of journalists were present from different TV networks, radio stations, daily papers and magazines. Dinka Antić presented fiscal, micro and macroeconomic, legal and institutional aspect of VAT introduction with emphasize on establishing of ITA Governing Board and Fiscal Council.



*To all our partners in ministries of finance of BiH, Federation of BiH, Republic of Srpska, Brčko district, cantons and municipalities and all readers, we wish happy and successful new 2006!*

