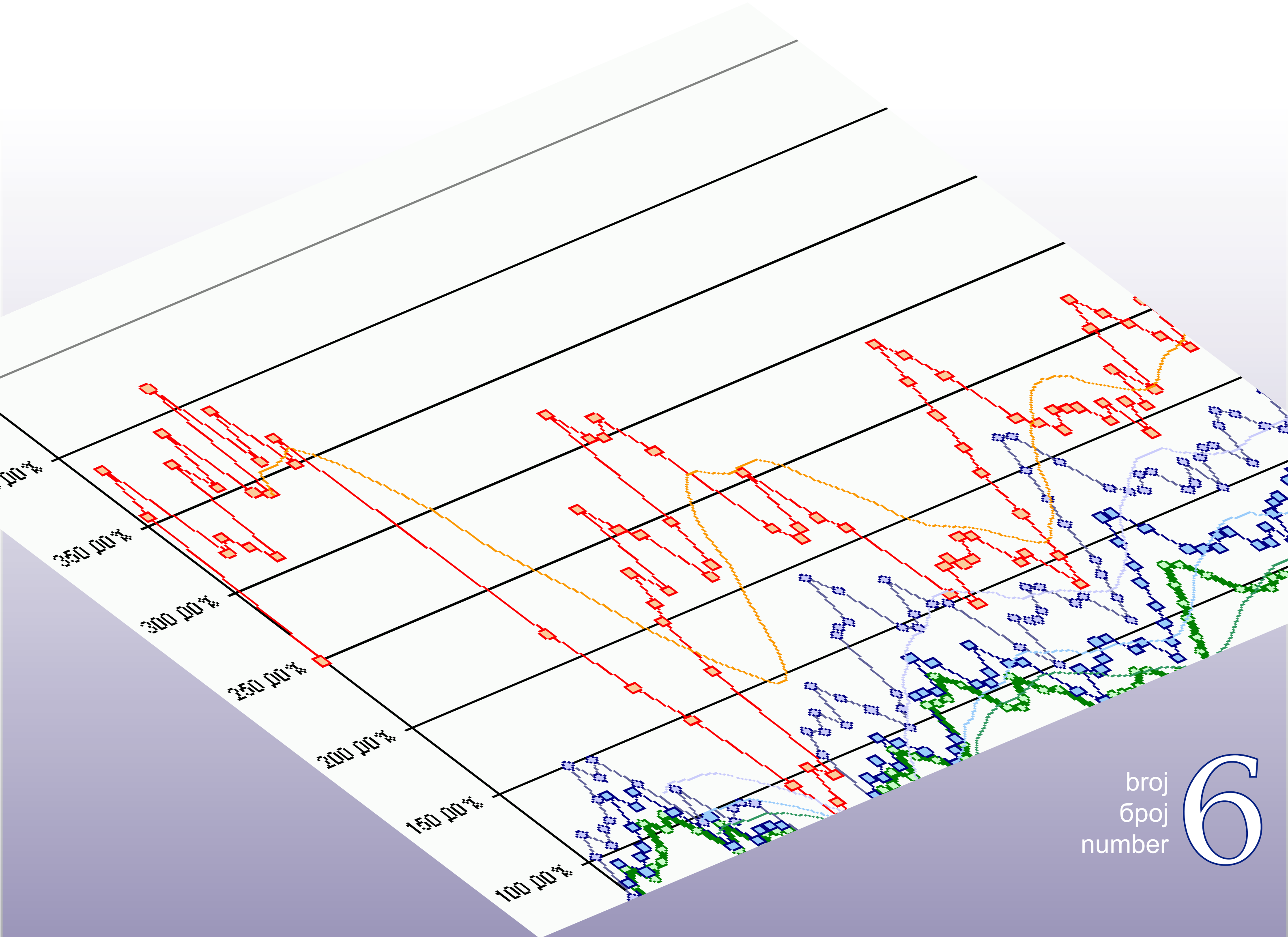
Bosna i Hercegovina
Odjeljenje za makroekonomsku analizu
Upravnog odbora Uprave za indirektno-neizravno oporezivanje

Босна и Херцеговина
Одјељење за макроекономску анализу
Управног одбора Управе за индиректно опорезивање

Macroeconomic Unit of the Governing Board of the Indirect Tax Authority

Oma Bilten



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Within this issue…

Bosnia and Herzegovina has passed two reform years during which the
(i) transfer of authority to collect indirect taxes was shifted to the state level,
(ii) a new management and operational structure was set up - Governing Board and Indirect Taxation Authority (ITA),
(iii) the Single Account for collecting indirect taxes was set up and
(iv) an overall legal framework in the field of indirect taxes was created, including VAT.

The functioning of the Single Account is one of the key preconditions for implementation of VAT. The results of the Single Account for 2005 show that the annual collection estimate for indirect taxes was exceeded by 160 mil KM, representing a month of average monthly collection! It should be stressed that the financing of the state, entities, District and lower levels of government depends on a proper functioning of the system.

The Single Account is a very complex system linking taxpayers, commercial banks, the Central Bank, and governments (State, Entities, District) through an intricate IT architecture and software. This system becomes even more complex as the ITA empties the account on daily basis. Having in mind the sophistication of the system and the excellent results in collection, we can say that the ITA Single Account is an important component in the sequence of indirect taxation reform!

Now we have entered the last phase of indirect taxation reform – the introduction of VAT. The experience of other countries that have switched to VAT shows that the introduction of this tax causes some disturbances in foreign trade immediately before the new tax comes into being. Our analysis of imports at the end of 2005 will show that similar thing happened in Bosnia and Herzegovina.

OMA bulletin is open to all institutions and international projects working on the reform of public finances and of the economic system in BiH. We are happy to inform you about current activities of two important projects.

We continue publishing consolidated reports for the public sector that include fiscal operations of the entities and the Single Account for December 2005. According to the dynamics of receiving data from the state and entity ministries of finance, we are publishing monthly consolidated report including fiscal operations of the budgets of BiH and Brčko District and of total revenues collected at the entity level for eleven months of 2005.

mr.sc. Dinka Antić
Head of Unit – supervisor

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The first year of the ITA Single Account: 160 million more collected than planned!

(prepared by: Dinka Antić)

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

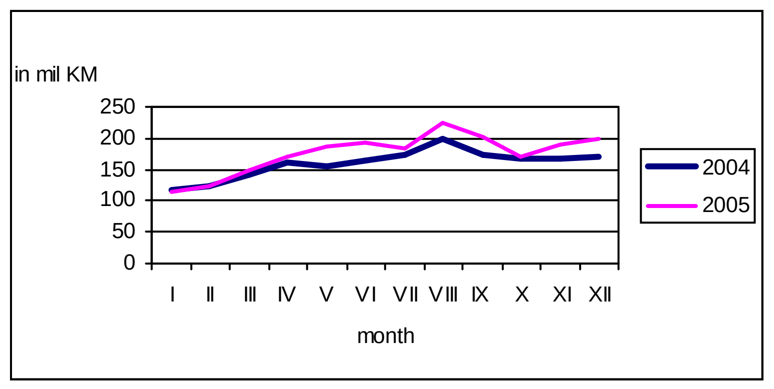

Chart 1. Collections of indirect taxes in 2004 and 2005

In 2005, the ITA exceeded the annual collection plan for indirect taxes by almost 160 mil. KM or 8%[1]. In comparison with November, there was a 5% increase in December, which was 15% more than in December 2004. The main reason for the revenue increase in December the excessive stock building prior to the introduction of VAT.

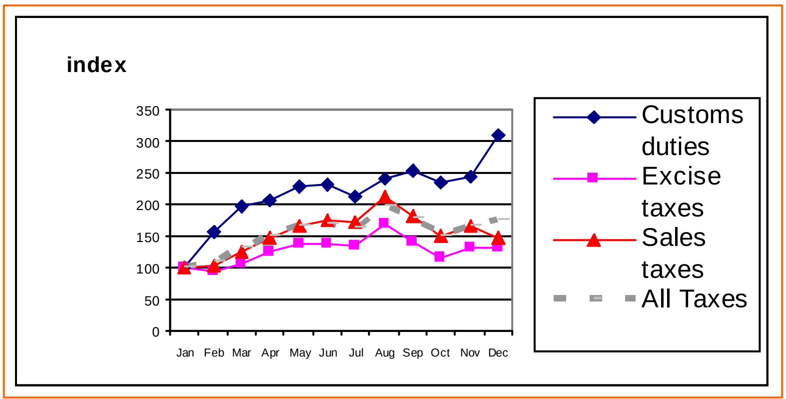

Chart 2. Dynamics of Indirect Tax Collections

In December 2005, there was a significant increase in the collection of customs duties - 28%. However, there was a decrease in the collection of sales tax on imported excisable products compared to November. The trends of revenue collection for the most important groups of revenues and the total of indirect taxes collected by the ITA are presented in Charts 2 and 3.

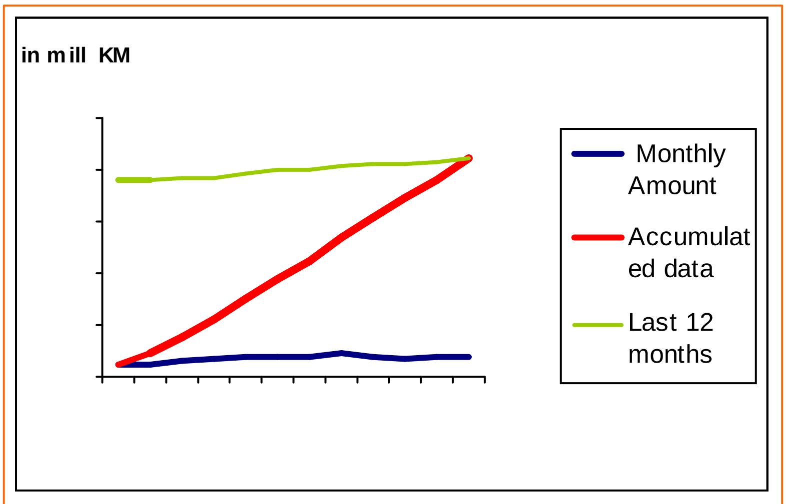

Chart 3. Trend of total indirect tax collections

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[1] To achieve consistency and consolidation in reporting at the state level, the total amount of indirect taxes does not include indirect taxes under the authority of the ITA that were collected by tax administrations of the entities and Brcko District.

Move to the VAT system: implications on import of goods

(prepared by: Dinka Antić)

The new year has brought a new taxation system to Bosnia and Herzegovina – the value added tax. What might be interesting at this moment is an analysis of the impact of VAT that was noted even before the introduction of VAT in Bosnia and Herzegovina.

Following the adoption of the VAT Law, the main dilemma of managers in the last year was to make decisions on the volume of goods in stock with which the company was to enter the VAT system. Managers made calculations comparing the financing costs of advanced purchases and larger quantities in stocks with the possibility to make extra profits during the starting period (usually chaotic) after the introduction of VAT. As our country depends on import of goods, decisions on the quantity of goods in stock on December 31st, 2005, also determined the quantity of imported goods in the last quarter of 2005.

In this article, we will present an analysis of imports in BiH during the end of 2005 compared to 2004[2]. At the same time, we will show the impact of introducing VAT on foreign trade of neighboring countries.

Why are there disturbances in foreign trade prior to the introduction of VAT?

We see reasons for this in the concept of the VAT system, which is a multiphase tax on consumption as opposed to the concept of the sales tax, which is collected on final consumption. The VAT system includes the calculation and payment of VAT in every phase of sales, including imports and production. Importers, producers and wholesalers must employ funds to finance the VAT[3]. The expected reaction is an accumulation of stocks of goods that will be taxed, under VAT, at higher rates than under the sales tax. This general rule can be applied to the taxation of machines, equipment, reproduction materials and semi-finalized products, the construction of buildings, agricultural products and food products. However, there is the question whether this is economically sound, that is, whether the costs of anticipated purchases and the interest to be paid on keeping larger stocks (i.e. raw materials and materials) is lower than the amount of VAT that would have been paid. There are also products that will be taxed at lower rates in the VAT system than under the sales tax. The expected reaction of traders would be to decrease the import of these goods prior to VAT introduction.

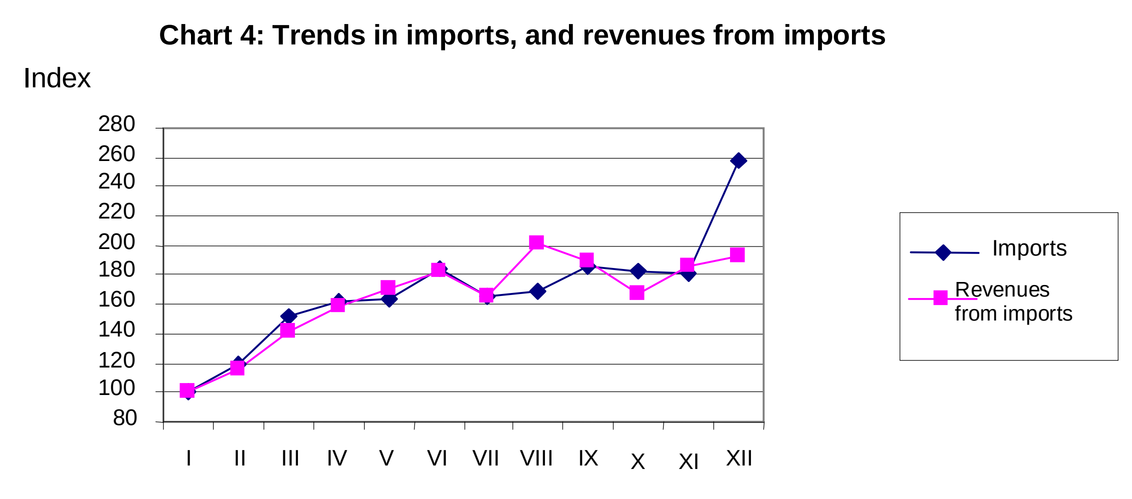
Did real developments confirm these expectations? An analysis of import trends in BiH has shown that the behavior of businesses has not significantly varied from that of businesses in neighboring countries at the time of VAT introduction in those countries.

Import analysis in BiH

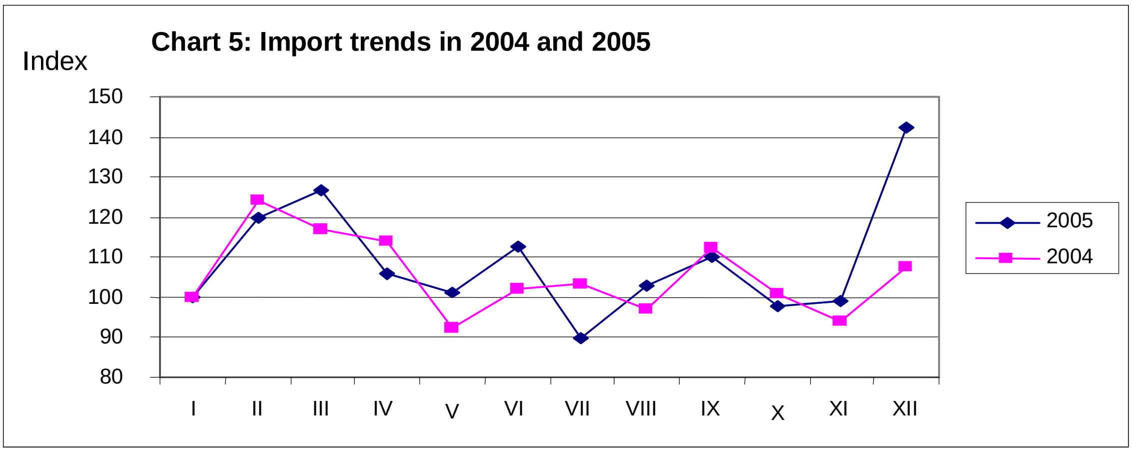
Although there was faster growth of exports than imports in 2005, the foreign trade exchange deficit significantly increased. In comparison with trends in 2004, the deficit increased by 14%. A significant increase of imports in December 2005 contributed to negative results of the balance of trade.

2 Monthly data on foreign trade exchange of BiH was prepared by Mr. Igor Gavran, project manager of the Department for Macroeconomic System, Foreign Trade Chamber of BiH.

3 Refund / deduction of input VAT paid on imports is possible after the filing of the VAT declaration. VAT basically restrains imports and stimulates purchases from domestic suppliers who can arrange better payment deadlines, and VAT, if any, is paid upon filing of a declaration. Future periods will show whether this is going to happen in BiH.



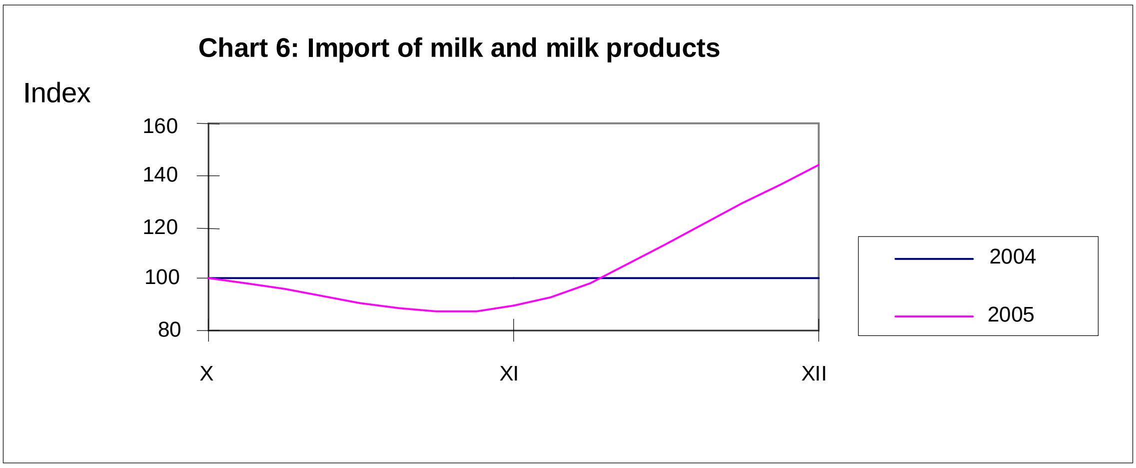
As it can be seen in Chart 5, the trend of imports in 2005 mainly follows the import trends during 2004, except for December, although the nominal amount indicates an annual increase of 18%.

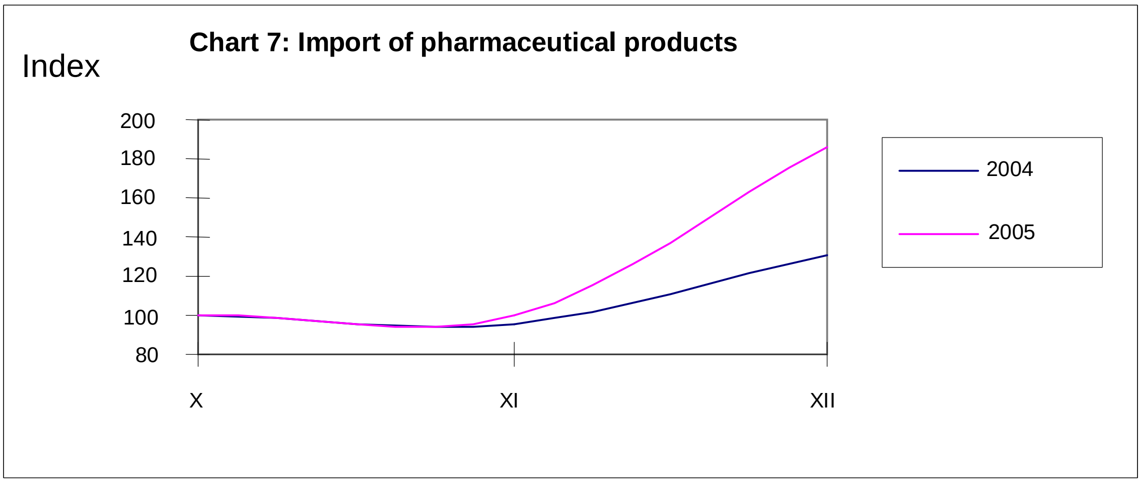


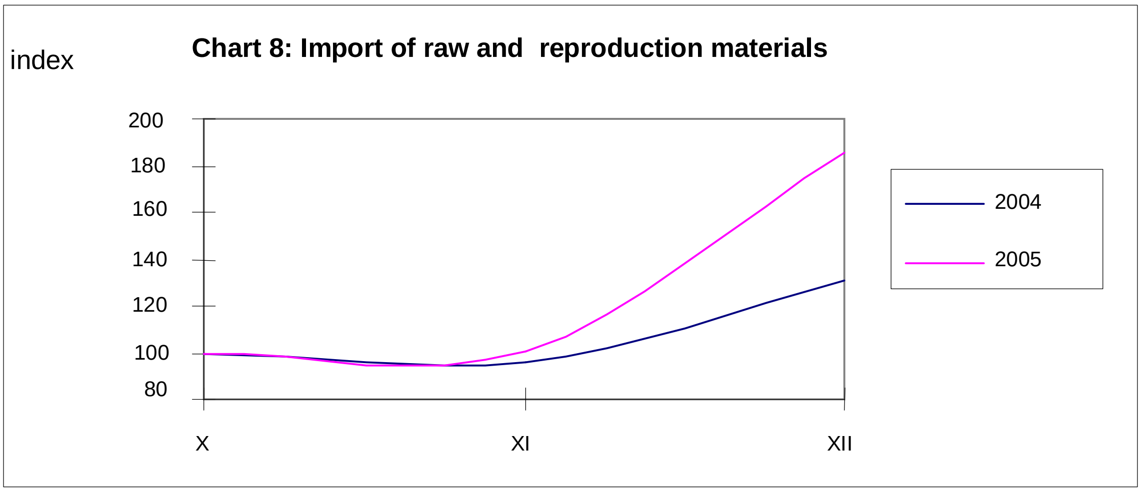
	% Share of increase of imports XII-05	XII-04 / XI-04	XII-05 / XI-05
Mineral fuels and oil	6,18%	6%	19%
Vehicles	12,83%	22%	71%
Machines and equipment	34,44%	31%	86%
Pharmaceutical products	5,46%	40%	105%
Raw materials / reproduction materials	14,73%	-15%	23%
Other products	26,37%	9%	35%
Total	100,00%	7,39%	42,53%

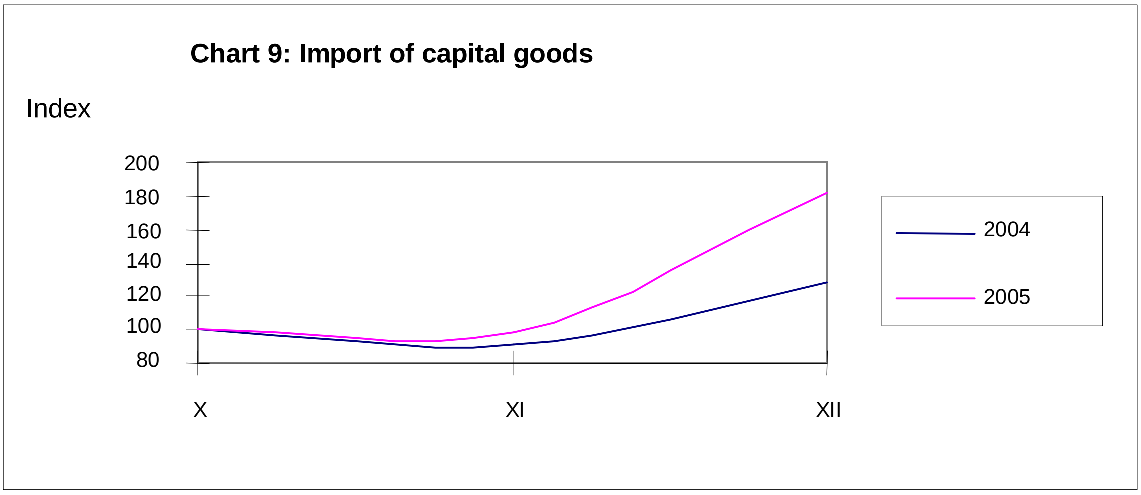
As can be seen from the table, the greatest share of increase of imports in December 2005 falls on capital assets (machines, equipment, vehicles), approximately 47% of the total increase. In comparison with developments during the same month of 2004, we can see a large increase, which is primarily caused by purchases to boost stocks prior to introducing VAT. If we take the increase of imports in December 2004 as a standard seasonal pattern of import trends in December, we can conclude that the difference compared to 2005 results from business decisions relating to the introduction of VAT.

A significant increase is noted for imports of products that were exempted from sales tax (reproduction materials, raw materials) or taxed with 0% (equipment, spare parts, medicines, food). When it comes to high-tariff goods that were taxed at 20%, there was an increase in imported values for oil and oil derivatives, which is the result of cumulative effects of oil price increases at world markets, changes in the exchange rate of the U.S. dollar, and the structure of imports by type of product. Imports of coffee, tobacco products, alcohol and drinks fit the pattern of imports of these products at the end of the year. There were significant imports of food products, primarily milk and milk products, oil and fat, that is 44% and 78% respectively. Import trends for some groups of products in the last quarter of 2004 and 2005 are presented in the charts 6 through 9:





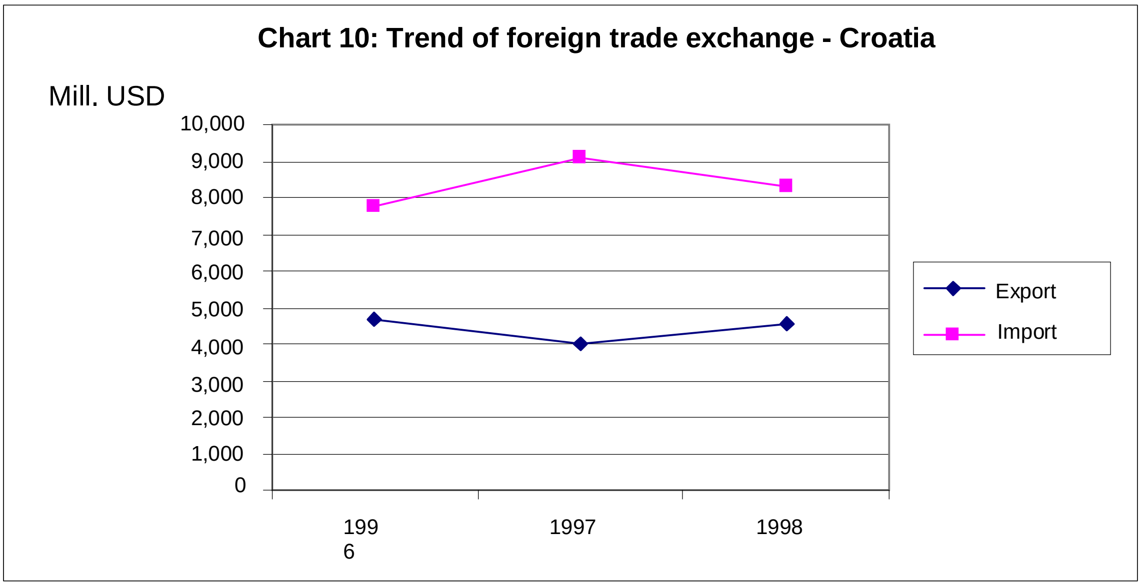




Note: Capital goods include machines, equipment and transport means

Experiences of neighboring countries

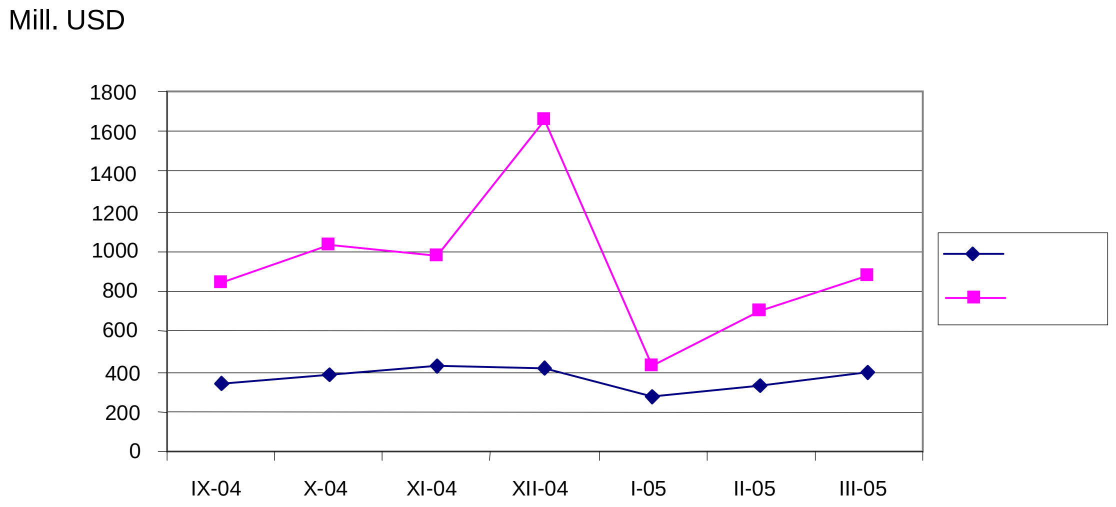
Croatia introduced VAT on January 1st, 1998, at the general rate of 22% on all goods and services. In 1997, one year prior to the introduction of VAT, the deficit of the foreign trade balance increased. The cumulative effect of decreasing exports and increasing imports led to a foreign trade deficit of over 60% compared to 1996. One of the basic reasons for this negative picture of trade and payment balances was the planned introduction of VAT in 1998. It caused the piling up of imported goods in stocks during the last two months of 1997. As to the structure of imports, the biggest share was in imports of capital goods (machines and equipment, motor vehicles, trailers and semi trailers), and import of food products (food and drinks). After the introduction of VAT the situation in foreign trade consolidated in Croatia. The trends in foreign trade for the relevant periods are presented in the following Chart 10:



Source: Reports of the Croatian National Bank / Statistical reports of the State Statistical Institute

Serbia introduced VAT on January 1st, 2005 at general rate of 18% and a special rate of 8% on food products, medicines, newspapers etc. The introduction of VAT, although at differential rates that have a smaller impact on prices of basic food products and medicines, led equally to a worsening of the foreign trade balance of Serbia in December 2004. The slight decrease of exports combined with high imports in December, they were almost 70% higher than November imports, had an impact on the total trade and payment deficit for that year. There was a big increase in imports of capital assets (machines and transport means), semi-finalized products and materials as well as nondurable products for consumption. The picture of foreign trade developments after the introduction of VAT is interesting. In January 2005 there was a drastic decrease of imports (only 26% of imports in December) and a serious decrease of exports although there was information about a great number of fictitious exports during the first weeks of January. As of February 2005, as it can be seen from Chart 11, foreign trade returned to expected flows with a slight increase of exports, while imports decreased to values as noted in September 2004. We should also bear in mind the influence, on the nominal value of imports, of an energy price hike at world markets during the beginning of 2005.

Chart 11: Foreign trade exchange in Serbia in the VAT system



Source: reports of the Serbian Ministry of Finance

Improving budget planning and preparation in BiH

(prepared by DFID Strengthening Public Expenditure Management Project)

The budget is the primary policy making tool of any government. It is the means by which the Government's strategic objectives for a country are translated into services, programmes and activities that meet the social and economic needs of its citizens. However, simply having an annual budget is usually not enough to ensure that Government's objectives are met, which is why many countries introduce medium-term budget planning processes. DFID, through UK consulting firm PKF, is assisting the State and Entity Ministries of Finance to modernise budget planning processes and systems in BiH as part of a project to strengthen public expenditure management in BiH.

What does a modern medium-term budget planning process look like?

A modern, medium-term budget planning process is one that:

- has a clearly defined budget timetable and responsibilities;
- sets out a clear fiscal strategy based on the level of resources available to Government;
- prioritises the allocation of scarce resources to the BiH's most important economic and social policy objectives;
- improves the predictability of budget policy and funding;
- ensures more effective and efficient use of government resources;
- improves transparency and accountability of Government policies, programmes and decision-making; and
- ensures that the financial impacts in future years are taken into account when making policy decisions and that such decisions are made during the budget planning cycle.

In order to facilitate this, the Ministries of Finance in BiH have, in recent years, prepared annual Budget Framework Papers which set out medium-term fiscal forecasts and expenditure policy priorities for the budget year and two forward years. More recently, the three Ministries have, assisted by DFID's project, developed a simple framework "Medium-Term Budget Planning Preparation and Preparation in BiH in 10 Steps", as a basis for further reform[4]

What is the 10 Step Medium-Term Budget Planning and Preparation Process?

The '10 Steps' framework sets out a medium-term budget process with a clear timetable that can be harmonised across all levels of Government. Each step is dependent on all stakeholders providing appropriate information and making recommendations and decisions at each of the key stages of the process during the year. Effective medium-term budget planning therefore requires the commitment and discipline of all stakeholders involved in the budget process (including Government, Parliament, Ministries of Finance and Budget Users).

Chart 12#, sets out a graphical timeline of the 10 Steps. A brief summary of each of the steps and the respective responsibilities are set out below:

Step 1

Budget Overview Instructions and Timetable

(prepared by MoFs)

The first step in an effective budget process is the preparation of budget overview instructions and a budget timetable for distribution to all Budget Users (Budget Instructions Circular No. 1). Issuing such instructions early in the calendar year ensures that stakeholders can plan their workload, resources and interaction more effectively.

[4] This model assumes that each annual budget is developed as a "rolling" three-year budget plan, with the first year forward estimate of the current annual budget forming the starting point for the following year's budget (as amended for economic adjustments and Government approved policy decisions).

Instructions are prepared by the respective Ministries of Finance (MoFs) in accordance with a harmonised budget calendar approved by the Governments[5]/Fiscal Council and sets out the key dates for reporting, decisions and submissions.

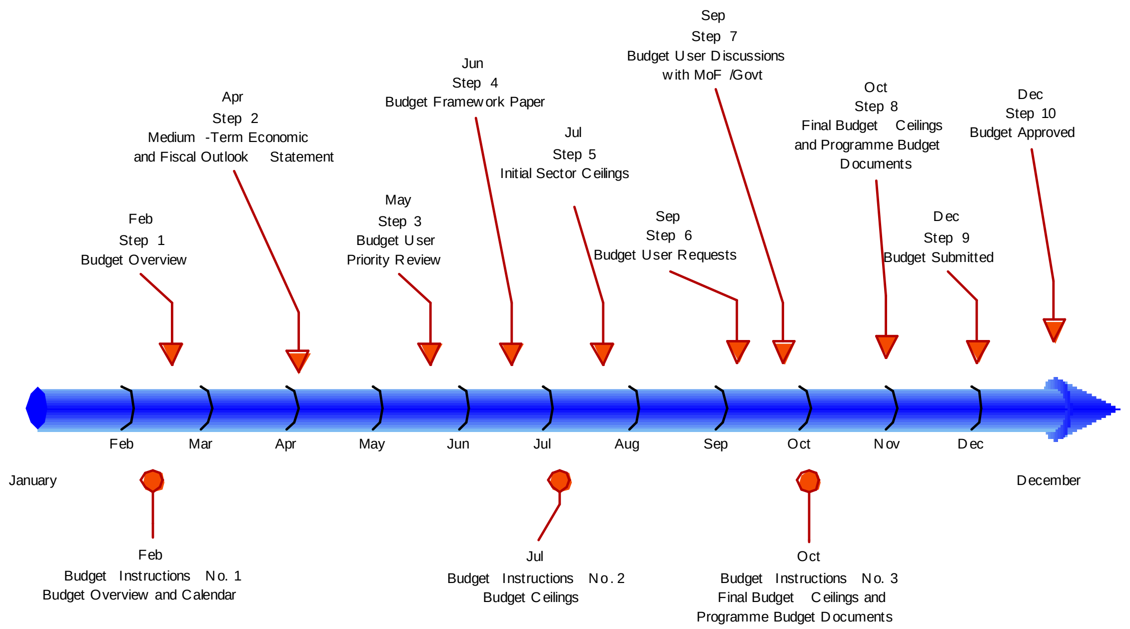


Chart 12. Medium-Term Budget Planning and Preparation in BiH in 10 Steps

Step 2

(National) Medium Term Macroeconomic and Fiscal Outlook Statement

(prepared by the EPPU and MAU and approved by the Fiscal Council)

The Medium-Term Macroeconomic and Fiscal Outlook Statement establishes the fiscal planning framework and the level of aggregate resources available to Governments for the forthcoming budget and two forward years. The Statement identifies the underlying economic assumptions and baseline revenues and establishes the Governments' starting point fiscal positions (including distribution of revenue shares among the Governments). Ideally, it should also set out the Fiscal Council's national and sector priorities to give guidance to the Entities and States in identifying and developing expenditure policy priorities.

It is recommended that the draft statement be prepared by the EPPU and MAU, and submitted to the Fiscal Council for consideration early in the budget cycle (eg, March) to enable sufficient time for the State and Entity Governments to develop their medium-term expenditure plans (Budget Framework Papers), including initial annual budget ceilings for budget users.

Step 3

Budget User Priority Review

(prepared by Budget Users and submitted to MoFs)

Early in the budget process each Budget User should conduct a review of policy issues and priorities in its area of responsibility (health, education, social welfare, etc.) in the context of the Governments' overall policy objectives and any sectoral strategies that

[5] Some countries establish a budget committee, or a budget cabinet, of key economic and spending ministers as a sub-committee of the full Government for managing and driving the budget process and budget decision-making.

have been developed and approved by Government(s)[6]. As part of this review, Budget Users should also evaluate the overall performance of their existing programmes. The Budget User Priority Reviews consist of the following summary tables:

- a list of ongoing programmes, services and activities[7];
- a list of proposed high priority new policy proposals for consideration during the upcoming budget year; and
- a list of proposed savings options (drawn from low priority and poorly performing programmes).

Although this exercise is not intended to be resource intensive, it aims to facilitate greater input from Budget Users on priority setting at an early stage of the budget process (i.e. before decisions are made on line Ministry/Budget User ceilings) as well as providing the Government with an opportunity to select from a range of proposed new policy initiatives and savings options for inclusion in the initial budget ceilings[8].

Step 4

Budget Framework Paper

(prepared by MoF for Government)

It is generally the case that the aggregate of all Budget Users' proposed new policy initiatives will exceed the resources available for new spending. In these circumstances, the Government clearly cannot allocate resources to everything that Budget Users propose. The Government therefore needs to decide which proposals are the highest priority and allocate resources accordingly from the available budget funds. In an effective budget process, the MoFs would provide their respective Governments with independent advice on what they consider the highest priorities in terms of BiH's economic and social development.

The Budget Framework Papers are designed to provide a consolidated analysis of policy priorities (identified in the Budget User Priority Tables) and to make recommendations on budget aggregates and ceilings to the Government in the context of overall aggregate fiscal ceilings and strategic policy objectives specified in the Macro-fiscal Outlook Statement.

Prior to finalising the Budget Framework Paper, MoF should hold scheduled meetings separately with individual Budget Users to discuss their budget priorities and cost estimates.

Step 5

Initial Budget Sector Ceilings

(approved by Government; circulated by MoF)

Following its review of the Budget Framework Paper, the Government will make its decision on initial budget ceilings and the MoF will advise each Line Ministry and/or Budget User (through Budget Instructions Circular No 2). The Budget User ceilings should identify all funds available to the line Ministry/Budget User (including estimated user charges, donor aid, etc).

6 Many of the overall policy objectives and sectoral strategies will be identified in the Macroeconomic and Fiscal Outlook Statement and the Medium-term Development Strategy, both approved by the Government.

7 While the "10 Steps" approach envisages the introduction of programme-based budgeting, it can be adapted to the current classification-based budget system

8 Initial proposals approved by Government would be more rigorously costed and assessed (including detailed justification and impact statement) in the Budget User Requests, later in the budget process.

Step 6

Budget User Requests

(prepared by Budget Users)

Budget User Requests are the means by which Budget Users present their budget estimates, new policy proposals and savings options in the context of a medium-term economic and fiscal outlook statement and in accordance with initial budget ceilings approved by the Government.[9]

The Budget User Requests should include detailed justification for the resources requested including programme objectives, legal authority, costs and performance. Budget requests should identify and fully cost new (high priority) policy proposals and potential savings options (of low priority, poor performing programmes) for final consideration by Government.

During this step, technical issues (including any issues related to costings) will be discussed between MoFs' budget analysts and the Budget Users' budget staff. MoFs will also advise Governments whether Budget User requests are consistent with Government expenditure priorities and whether aggregate budget spending is consistent with fiscally responsible budget balance targets. MoF will analyse each User's request and make recommendations to the Government.

Step 7

Government Budget Hearings

(coordinated by MoF on behalf of Government)

Following MoF review of Budget User Requests, individual line Ministers will have the opportunity to present their Ministry's and/or Budget User's case for budget resources, including new spending initiatives proposals, to the Government. The Government then reviews, in aggregate, the outcome of these discussions and the competing claims for resources. The Government makes the final decision on **cross sector** priority decisions (including adjustments for existing programmes, new spending proposals and savings options) in accordance with aggregate budget spending targets.

During these discussions the MoF will maintain a daily "Budget Scorecard" of approved budget adjustments to assist the Government monitor progress of the total budget against the overall fiscal constraints.

Step 8

Final Budget Ceilings and Programme Budget Documents

(Final Budget Ceilings issued by MoF and programme budget documents prepared by Budget Users)

On completion of the budget hearings, MoF provides a final update of macroeconomic assumptions and revenue forecasts. Subject to any final adjustments to meet updated budget targets, the Government approves the final budget ceilings (and forward estimates) for each Budget User. MoF then advises each agency of their final ceiling including any approved new/expanded/renewed programmes and savings together with instructions (Budget Instructions Circular No. 3) on the preparation of programme budget documents.[10]

Budget Users then submit the completed programme budget documents (consistent with final ceilings) to the relevant Ministry of Finance. The programme budget documents will form part of the Annual Budget submission to parliament.

[9] In a best-practice approach, Budget User requests would be prepared on a programmatic basis. However, as noted earlier, this framework can be applied be applied with or without programme budgeting.

[10] Programme Budget Documents are intended to improve transparency by providing Governments, the Parliament and the public of Bosnia and Herzegovina with detailed information on the objectives, financial resources and expected results of Government programmes and services.

Step 9

Annual Budget and Supporting Documentation

(Prepared by MoF and Budget Users)

The draft Annual Budget and Supporting Documentation are prepared by MoF and budget users. Public availability of explanatory information is critical to improving the transparency and accountability of the Budget.

Key elements of the supporting documentation are the Budget User Summary Reconciliation Table, which have been recommended by the DFID project. These tables are intended to be an easy-to-read summary document highlighting variations in the draft budget estimates compared to the previous year's budget allocation. Variations are explained, by economic classification, against three major categories – (i) macroeconomic adjustments (eg, for approved wage and price adjustments), (ii) approved new policy initiatives and (iii) approved savings options.

Published documentation should also include: a Budget Statement to the Parliament by the Prime Minister setting out the Government's medium term fiscal strategy (ie, its fiscal and policy priorities and objectives over the medium-term); updated Medium Term Economic and Fiscal Outlook Statement (updated) providing an overview of the macroeconomic and economic assumptions underlying the budget and forward estimates, together with aggregate expenditure estimates; and a range of information (eg, capital budgets, finances of extrabudgetary funds, explanation of internal and external debt, and intergovernmental fiscal relations).

Step 10

Budget Approval

(Parliament)

Clearly the final step in any budget is approval by Parliament. Consistent with the aim of fiscal transparency and accountability, all budget documents should be made available to the Parliament and the public, and all parliamentary debate held openly. Any proposals to amend the budget should be consistent with the Government's fiscal framework objectives.

Summary

The above sets out a simple conceptual framework and overview of a medium-term budget planning and preparation process and how such a process could be applied in BiH. A diagrammatic presentation of the "10 Steps" timeframe is attached. A more detailed discussion paper on "Medium-term Budget Planning in 10 Steps" is available on request from Martin Bowen, Team Leader (Ph 552 491) or Naida Trkic, Project Coordinator of the PKF Project (Ph 552 490).

Direct tax reform for growth and employment

prepared by: Mark Gallagher, Ph.D., Chief of the USAID-TAMP (Tax Modernization Project)

BiH is reforming its direct tax system. These reforms will raise adequate revenue for public spending, and encourage economic growth and the creation of new jobs. Direct taxes are those taxes imposed on capital, labor, and property. This contrasts with indirect taxes, which are imposed on transactions involving goods and services.

The major direct tax reforms under consideration now are the tax on corporate income (in LL this is Porez na Dobit) and the tax on personal income (in LL it is Porez na Dohodak). The major thrust of these reforms is to simplify these taxes and to get greater harmony in the treatment of taxpayers throughout the country.

The personal income tax now before the Federation parliament replaces the various cantonal taxes, such as the citizen taxes on rental income, patents and copyright, high incomes, wages, agricultural income and income of entrepreneurs with a single comprehensive tax that treats all income in the same way. Experts are discussing a nearly identical reform proposal in RS. The difference between the RS and the Federation is that in the Federation the ten Cantons impose these citizen taxes at different rates and in different ways. The personal income tax not only harmonizes income tax between the Entities, but among the Cantons too.

The proposed personal income tax also differs from the earlier taxes in that it is "progressive." This means that the poorest amongst us pay no tax, working people pay some, and wealthier people pay more. Despite this progressivity, personal income tax rates in BiH would be lower than most other countries in the world.

The Entities are also reforming the corporate income tax. In the Federation, the tax rate will decline from 30% to 15%, while in the RS the rate is will rise from 10% to 15%. While the rates are important and the 15% rate is extremely competitive from an international perspective, perhaps more important is the simplicity of the new tax law and the impact it can have on encouraging greater job creation. Businesses are encouraged to invest according to the market opportunities that face them, rather than merely to benefit from loopholes in the tax law. Businesses will be able to depreciate most of their investments in only three years. This encourages new investment while not discriminating among sectors nor for or against foreign and domestic investors. Investors will no longer be as biased against investing in labor-intensive technologies, so growth can also include new jobs – something sorely lacking in BiH today.

The simplicity of the new laws will facilitate compliance on the part of the taxpayers and enhanced enforcement on the part of the tax administrations, leading to less fraud and corruption.

Monthly Consolidated Reports January – December 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
Current Revenue	**168,8**	**174,2**	**220,9**	**213,5**	**242,3**	**364,0**	**269,5**	**281,0**	**258,7**	**226,9**	**278,1**	**271,0**	**563,9**	**819,9**	**809,2**	**776,1**	**2969,1**
Taxes	159,7	158,3	200,0	201,3	224,3	226,9	221,7	261,0	236,9	208,9	231,3	253,5	518,0	652,5	719,6	693,6	2583,6
Indirect taxes	142,0	139,3	171,3	187,8	208,3	211,6	206,8	246,7	222,2	193,6	211,1	228,1	452,6	607,7	675,7	632,8	2368,9
Customs duties	31,8	36,1	45,8	48,1	52,7	53,7	49,7	55,9	59,4	54,5	56,4	71,9	113,7	154,5	165,0	182,8	616,0
Sales Tax	45,9	44,6	56,6	61,7	70,4	69,4	72,1	84,5	73,2	65,9	69,6	72,5	147,2	201,5	229,8	208,0	786,4
Excises	54,8	49,0	56,4	64,5	70,6	72,1	69,3	87,3	73,8	60,4	68,8	68,7	160,2	207,2	230,3	197,9	795,7
Railroad tax	9,3	9,3	12,1	13,1	14,2	15,5	15,4	18,7	15,3	12,2	15,7	13,9	30,7	42,8	49,3	41,8	164,7
Direct taxes	17,6	19,0	28,7	13,5	15,9	15,3	14,9	14,4	14,6	15,3	20,2	25,4	65,4	44,7	43,9	60,8	214,8
Non-tax income	9,0	15,9	20,9	12,2	18,0	137,1	33,1	19,9	21,8	17,7	46,6	17,5	45,8	167,2	74,8	81,7	369,5
Grants, gifts	0,1				0,1	0,1	14,7	0,1		0,4	0,3	0,1	0,1	0,2	14,8	0,8	15,9
Current expenditures	**125,2**	**198,2**	**218,9**	**219,1**	**233,4**	**292,0**	**198,4**	**237,7**	**228,3**	**219,1**	**270,8**	**333,9**	**542,2**	**744,6**	**664,4**	**823,9**	**2775,1**
Consumption expenditures	30,9	54,8	71,7	64,0	62,2	94,9	41,1	59,3	60,9	67,8	63,5	111,7	157,4	221,1	161,3	243,0	782,9
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	92,7	133,1	192,5	137,2	202,5	665,4
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	36,5	25,7	55,8	31,8	66,1	179,3
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	19,0	24,3	28,6	24,1	40,5	117,5
Grants	32,8	60,4	60,1	62,2	60,0	103,2	66,1	60,7	65,9	63,4	82,9	103,1	153,3	225,4	192,7	249,4	820,8
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	64,8	82,4	153,7	118,7	161,1	515,9
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	17,6	54,2	46,9	41,8	49,4	192,4
Subsidies	4,2	7,1	5,4	9,3	6,7	8,7	12,2	10,2	9,8	9,1	9,0	20,8	16,7	24,8	32,2	38,8	112,5
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	3,9	5,3	10,9	6,9	11,3	34,5
Other outlays	5,5	9,2	10,6	9,6	8,0	6,7	10,3	8,5	9,7	8,8	14,3	28,8	25,3	24,3	28,5	51,9	130,1
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	67,9	150,2	195,8	220,4	197,0	763,4
BiH Budget	18,6	19,6	23,5	20,6	20,6	21,5	20,6	22,5	21,5	20,6	20,6	21,5	61,7	62,6	64,6	62,6	251,5
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	32,8	57,1	88,1	103,5	90,2	338,9
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	6,9	19,3	26,6	31,0	24,9	101,9
Brčko	3,1	4,0	5,1	5,7	6,2	6,5	6,3	7,7	6,8	5,8	6,6	6,6	12,2	18,4	20,8	18,9	70,3
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	15,6	47,9	63,4	51,4	66,5	229,2
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	0,9	2,9	2,7	3,7	3,2	4,7	14,3
Government Savings (1 - 2)	**43,6**	**-24,0**	**2,0**	**-5,6**	**8,9**	**72,1**	**71,2**	**43,3**	**30,3**	**7,8**	**7,3**	**-62,9**	**21,6**	**75,3**	**144,8**	**-47,8**	**194,0**
Capital outlays	1,6	3,5	1,9	1,7	2,4	33,3	15,3	3,3	1,9	2,6	2,2	16,8	6,9	37,4	20,5	21,7	86,5
Government surplus/deficit (3-4)	**42,1**	**-27,5**	**0,1**	**-7,4**	**6,5**	**38,8**	**55,9**	**40,0**	**28,4**	**5,2**	**5,1**	**-79,8**	**14,7**	**37,9**	**124,4**	**-69,5**	**107,5**

Table 1. Montly consolidated Reports January – December 2005.

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		Q1	Q2	Q3	Q4	total
Current Revenue	**443,2**	**499,1**	**548,1**	**537,4**	**554,5**	**702,2**	**626,8**	**626,6**	**601,4**	**574,5**	**592,5**		**1490,3**	**1794,1**	**1854,7**	**1167,0**	**6306,1**
Taxes	264,1	249,4	310,1	304,7	331,4	336,3	336,8	378,1	349,5	327,9	346,8		823,6	972,4	1064,4	674,7	3535,1
Indirect taxes	228,9	206,3	251,7	262,8	288,9	293,6	290,3	335,2	305,2	282,3	297,3		686,9	845,3	930,7	579,5	3042,4
Customs duties	31,9	36,1	45,9	48,1	52,7	53,6	49,7	55,9	59,5	54,6	56,4		114,0	154,5	165,1	111,0	544,6
Sales Tax	128,1	110,9	135,9	136,4	150,8	151,2	155,4	172,8	156,0	154,4	155,6		374,9	438,4	484,2	310,0	1607,6
of which on imports	30,3	22,8	28,2	32,9	35,3	39,1	35,2	44,2	41,3	36,1	39,9		81,3	107,3	120,6	76,0	385,3
Domestic exciseable products	7,2	7,1	7,6	9,4	12,2	10,8	14,5	17,5	11,1	6,8	7,4		21,8	32,4	43,0	14,3	111,5
Other products	57,4	51,1	64,4	61,2	66,1	67,3	68,5	75,9	70,8	74,8	73,6		172,9	194,6	215,3	148,4	731,3
On services	28,1	27,4	32,5	30,3	34,7	32,1	35,6	34,1	31,5	35,2	33,4		87,9	97,1	101,2	68,6	354,8
Other	5,1	2,5	3,3	2,6	2,4	1,9	1,7	1,1	1,3	1,5	1,2		11,0	7,0	4,1	2,8	24,7
Excises	55,4	49,5	56,8	64,7	70,6	72,2	69,3	87,3	73,8	60,4	68,8		161,7	207,6	230,4	129,2	728,9
on imports	39,6	36,5	43,5	49,7	51,5	56,2	48,5	62,9	56,0	48,2	55,7		119,6	157,5	167,4	103,9	548,4
on domestic production	15,8	13,0	13,3	15,0	19,1	16,0	20,8	24,4	17,8	12,2	13,1		42,1	50,1	63,0	25,3	180,5
Railroad tax	13,2	9,5	12,5	13,2	14,3	15,6	15,4	18,8	15,4	12,3	15,8		35,2	43,0	49,6	28,1	155,9
Other taxes	0,3	0,4	0,5	0,4	0,5	0,9	0,4	0,4	0,5	0,6	0,6		1,1	1,8	1,3	1,2	5,5
Direct taxes	35,2	43,1	58,5	41,9	42,4	42,8	46,4	43,0	44,3	45,7	49,5		136,7	127,1	133,7	95,2	492,7
Income taxes	35,2	43,1	58,5	41,9	42,4	42,8	46,4	43,0	44,3	45,7	49,5		136,7	127,1	133,7	95,2	492,7
Corporate income	7,9	10,4	16,2	6,3	5,0	6,0	7,0	6,2	6,3	6,0	11,5		34,4	17,2	19,5	17,6	88,8
Other income	6,4	8,7	10,5	7,0	6,7	6,4	6,8	6,7	7,2	7,2	9,0		25,5	20,1	20,7	16,2	82,6
Other direct taxes	21,0	24,0	31,8	28,6	30,8	30,4	32,7	30,0	30,7	32,4	29,0		76,7	89,8	93,4	61,4	321,3
Non-tax income	22,8	79,8	35,5	28,4	41,3	153,5	71,1	42,0	39,4	40,6	52,1		138,1	223,2	152,4	92,7	606,4
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	173,1		463,4	507,8	548,4	358,8	1878,5
Other income	16,4	23,0	22,9	34,5	20,0	26,9	22,6	23,5	21,7	20,2	19,5		62,4	81,4	67,8	39,7	251,3
Grants, gifts	2,1	0,3	0,4	1,7	0,4	7,2	14,6	0,4	6,7	0,1	1,0		2,8	9,2	21,7	1,0	34,7
Transfers from higher level of gov.				0,0		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		Q1	Q2	Q3	Q4	total
Current expenditures	**380,5**	**509,5**	**531,8**	**514,0**	**533,0**	**609,5**	**534,0**	**564,6**	**548,3**	**559,8**	**591,1**		**1421,9**	**1656,5**	**1647,0**	**1150,9**	**5876,2**
Current expenditures	57,8	84,3	104,5	98,0	95,8	133,9	71,3	92,2	94,5	101,7	95,4		246,7	327,7	258,0	197,1	1029,4
Wages and compensations	42,5	64,5	83,6	73,7	74,6	109,9	53,7	75,1	74,6	78,5	73,8		190,7	258,2	203,4	152,4	804,7
Wages	38,4	51,0	67,1	57,3	58,0	73,0	47,1	55,8	56,2	60,1	56,3		156,5	188,3	159,1	116,4	620,4
of which: Social sec. c.																	
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	17,5		34,1	69,9	44,3	36,0	184,3
Purchases of goods and services	12,5	17,0	18,0	20,3	17,5	20,6	17,4	16,7	19,9	23,1	21,5		47,5	58,3	54,0	44,6	204,4
Other current expenditures	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
Grants	171,1	207,7	240,0	229,6	222,0	283,6	250,0	244,1	251,5	251,9	258,9		618,9	735,2	745,5	510,9	2610,5
Transfers to housholds	9,5	38,6	36,5	40,0	37,5	80,4	42,1	39,2	44,4	42,0	62,2		84,6	157,9	125,7	104,2	472,4
Transfers to organizations/institutions	20,5	16,2	19,7	15,1	17,5	17,6	15,3	13,4	14,5	16,6	15,9		56,3	50,2	50,4	32,4	182,1
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	171,9		461,3	502,3	517,6	356,2	1864,3
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
of which: on foreign debt																	
Other outlays	5,7	9,4	10,7	9,8	8,2	6,8	10,3	8,5	9,7	9,1	13,3		25,8	24,8	28,5	22,5	101,6
Expenditures from reserve	0,3	0,3	0,3	0,8	1,0	1,6	1,9	0,8	1,3	1,1	1,3		0,9	3,4	4,0	2,4	10,8
Transfers from Single Account	0,0	0,0	0,0	0,0	0,1	0,0	0,1	0,2	0,1	0,1	0,2		0,0	0,1	0,4	0,3	0,8
Reserve			0,0	0,0	0,1	0,0	0,1	0,2	0,1	0,1	0,2		0,0	0,1	0,4	0,3	0,8
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 level of gov.																	
Transfers to lower (incl. transfers from Single Accounts)	134,8	180,1	161,5	158,1	166,0	166,8	187,3	192,2	172,9	180,4	179,0		476,3	490,9	552,3	359,4	1879,0
Government Savings (1-2)	**62,6**	**-10,5**	**16,3**	**23,4**	**21,5**	**92,6**	**92,8**	**61,9**	**53,0**	**14,7**	**1,4**		**68,4**	**137,6**	**207,8**	**16,1**	**429,8**
Capital outlays	2,1	3,7	2,1	2,5	3,2	34,0	17,3	5,0	10,9	6,8	4,9		7,9	39,6	33,3	11,7	92,5
Government surplus/deficit (3-4)	**60,5**	**-14,2**	**14,2**	**20,9**	**18,3**	**58,7**	**75,5**	**56,9**	**42,1**	**7,9**	**-3,5**		**60,5**	**97,9**	**174,5**	**4,4**	**337,3**

Table 2. Montly consolidated Reports January – November 2005.

Notes to Report (table 1):

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 2):

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.

Announcement to reporting units

Delivery of data for establishing database for monitoring budget execution
We are asking reporting units – cantons and municipalities – that have not sent their budget execution for 2004 yet to do it as soon as possible. We would also like to ask them to deliver their budget execution for 2005 and the planned budget for 2006, so that we can complete our data bank that the Unit will use to monitor budget execution in 2006, and to make projections.

Internet reporting – assignment of passwords for system access and data input
As we announced earlier, the system of monthly reporting via Internet is finalized, and it is in the phase of final testing. For data input, it is necessary to assign a username and a password to persons that are listed in the OMA 2 form as persons who will send reports to the Unit. We would like to ask these persons to directly contact Mr. Sulejman Hasanović, IT specialist, tel. 033/279-544, in order to receive information on data input via the Internet.

Instructions for data input via Internet can be obtained from our web site: www.oma.uino.gov.ba.

IMPORTANT! – deadline for delivery of data for January 2006

We would like to ask all reporting units **to send data on revenues and expenditures for January 2006 until the end of February 2006 the latest.**

Cantons and municipalities that do not have Internet connection can send monthly reports by fax.

We would like to remind you that in the Bulletin no. 5, there was detailed description of the system for monthly reporting and data input form adapted to all budget classifications. All bulletins published so far including no. 5 can be found on our web site, or we can send it to you by fax.