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

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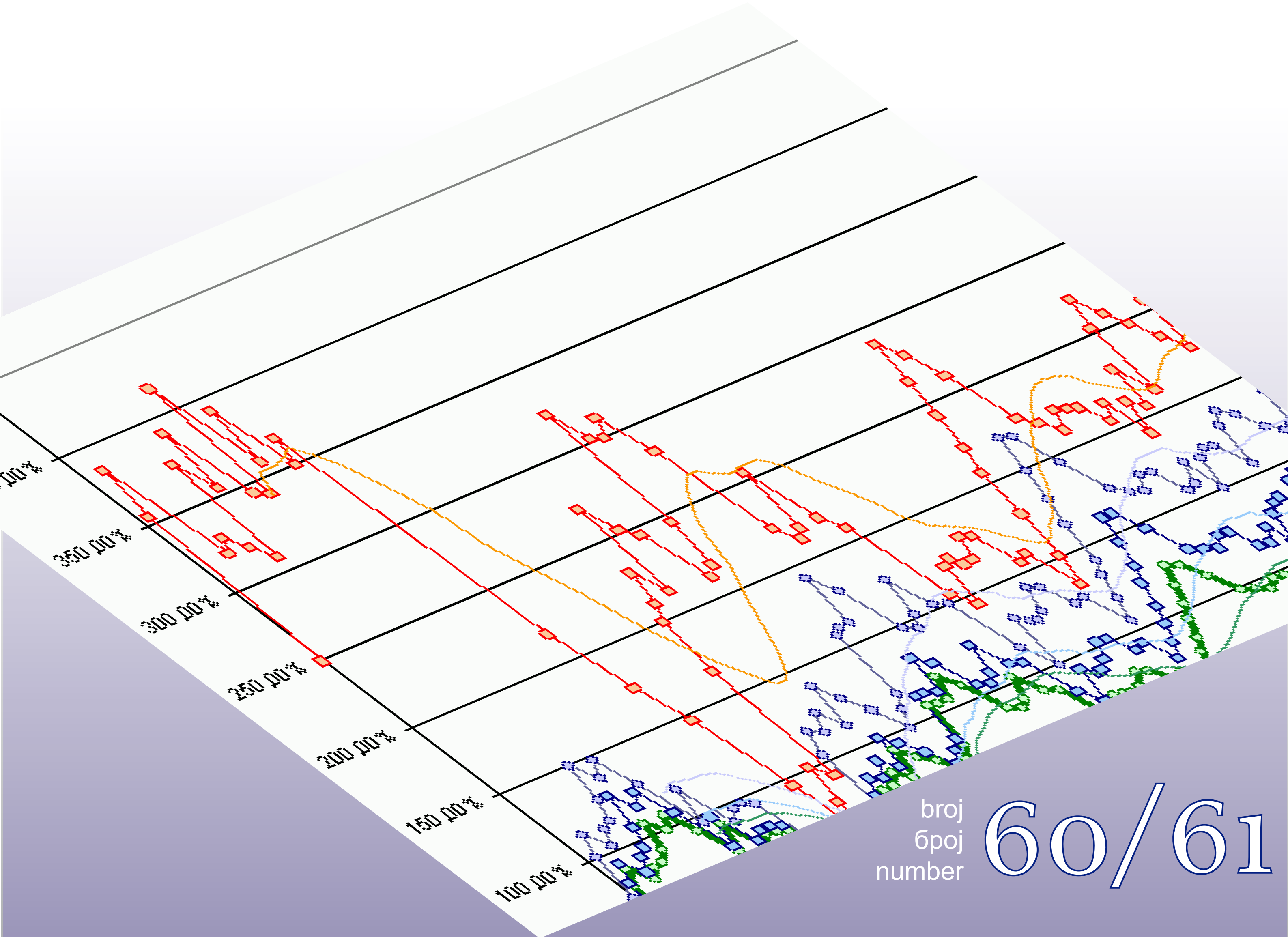

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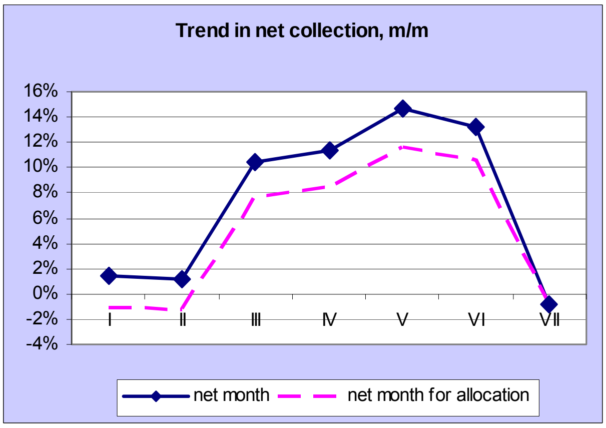
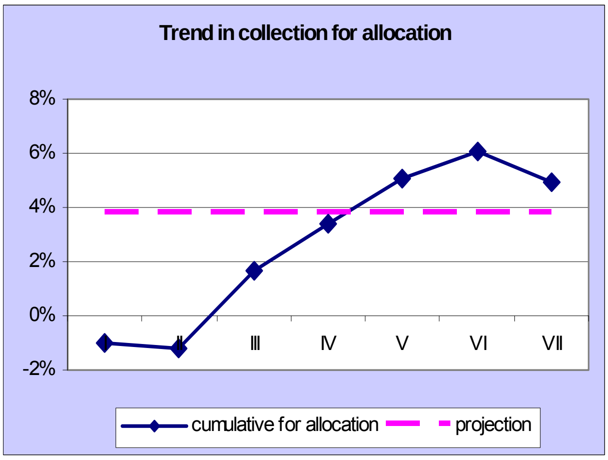
With this issue

The trend of collection of indirect taxes over the first seven months of 2010 shows significant decrease of revenues available for distribution to the budget beneficiaries (excluding road fee for highways) on the monthly basis (the same figure for July 2010 is 0.88% lower than for July 2009- Chart 1) as well as deceleration of cumulative collection (4.93% higher for the period I-VII 2010 compared with the same period in 2009 – Chart 2). Such trend is expected because of the higher base for comparison in the second half of 2009. Week revenue growth, fiscal deficits and negative financial results of public companies induced authorities to propose the initiative for introduction of additional road fee for financing public railway companies in Bosnia and Herzegovina. Apart from economic and social implications, this new measure opens tough questions about implications on business competition and functioning transportation services market. The article in this Bulletin describes theoretical concept of earmarked taxes and implications of introduction of road fee for Railway companies that may have on economic and fiscal system in BiH, and further on we also present analysis of harmonization with the EU minimum standards of taxation of petroleum products, provisions of the Stabilization and Association Agreement with EU and basic rules of market competition from the Lisbon Treaty.

Dinka Antić, PhD
Head of Unit



Grafikon 1



Graph 2

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Pros and cons financing railways in BiH from road fees

(written by. Dinka Antić, PhD)

INTRODUCTION

Entity Ministries of Transport have recently announced initiative to introduce additional road fee on retail price of oil products to finance public railway companies in BiH. The initiative attracted a great deal of attention in public, and hard debate among government officials, on one hand, and professional associations in the field of traffic and citizens' associations for consumer protection, on the other side. Without going any further in intentions of authorities to impose additional tax burdens in a time of recession, without previous financial, economic and technical restructuring of the entity companies (e.g. *downsizing* - to adjust number of employees to technical and economic capacity), and privatization in accordance with EU standards (separating infrastructure from provision of transportation services), it is necessary to examine all aspects of the concept of earmarked taxes, and their implications on competition and market, as well as economic and fiscal system as a whole in order to evaluate proposal to increase tax burdens.

THEORY OF EARMARKED TAXES

Concept

Earmarked tax revenues differ from standard tax and non-tax revenues used for financing government operations in ways of collection and methods of distribution. According to the definition given by the IMF earmarked taxes (*appropriated taxes)* are taxes that are collected for specific programmatic expenditures, often through extra budgetary funds[1], in order to proceed them afterward through earmarked transfers (conditional or unconditional) to end users (agencies, institutions, individuals, businesses). In contrast, the standard government revenues are collected in one fund (pool) from which government finances its operations according particular formula for allocation.

In the literature earmarked taxes are called "hypothecated tax"[2], and are defined as revenues from certain taxes for specific purposes. The term "hypothecated" is quite adequate to the essence of earmarked taxes, as revenues from these taxes are *de facto* reserved only for certain purposes. According to the IBFD[3] earmarked taxes are "... *used in the public finances in the context of the collection of revenues from certain sources and allocation of certain public expenditures. Earmarked taxes are taxes that are used for specific purposes such as payroll taxes used to finance social insurance schemes, taxes on motor vehicles (revenue from these taxes are used for road maintenance) and different types of measures against pollution (that is, taxes on energy). Although earmarked taxes are associated with charges[4] (these are fees for services performed as non-tax revenues) they are not identical, i.e. nor have all the benefits intended for certain expenses, or all of the mortgage/pledged taxes reflect the link between the benefits that they provided and expenses ...* ". In the practice of developed countries an earmarked tax appears as the most often tax for radio and television public broadcasting, which is used to finance public broadcasting network. In practice of the EU the most common form of earmarked taxes are environmental or "green" taxes which are levied on income on consumption of goods, which can cause negative effects on the quality of the environment (example, excise taxes on cigarettes and energy, taxes on property and vehicles, etc.).

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[1] IMF, Manual on Fiscal Transparency, Washington, 2007, page 127
[2] \`hypothecation\` is a combination of words \`hypothetical dedication\`
[3] IBFD, International Tax Glossary, 5th edition, Amsterdam 2005, page 213
[4] user charges

Taxonomy

For the analysis of the earmarked taxes relationship with the expenditure to be financed by them is relevant. Bird[5] has defined three aspects of that relationship.

- degree of specificity of an expenditure (i.e., whether it is about specific types of expenditures, programs, projects, or the taxes are used to fund all expenditures);
- strength of linkage between earmarked taxes and expenditures;
- existence of benefits for taxpayers who pay taxes.

Based on three aspects of the relationships Bird has developed eight types of earmarked taxes, which was then grouped into "good", "bad" and "irrelevant."

Table 1. Variations of the earmarked taxes [7]

Variety	Expenditure	Linkage	Rationale	Example
A	Specific	Tight	Benefit	Public enterprise
B	Specific	Loose	Benefit	Gasoline tax and road finance
C	Broad	Tight	Benefit	Social security
D	Broad	Loose	Benefit	Tobacco tax and health finance
E	Specific	Tight	None	Environmental taxes and clean-up programs
F	Specific	Loose	None	Payroll tax and health finance
G	Broad	Tight	None	Revenue sharing to localities
H	Broad	Loose	None	Lottery revenues to health

Given the economic implications of the earmarked taxes Bird has pointed to two approaches when defining the earmarked taxes.

- essential approach and
- symbolic approach.

The essential approach assumes that the earmarked tax is the only or a dominant source of revenues for a user, which implies the existence of direct and strong link between taxes and expenditures (types "A", "C", "E" and "G"). In this group of "good" types of earmarked taxes are included "A" and "C" because of the obvious benefits to final consumers, and "bad" types "E" and "G" because of the possibility that the revenues are directed based on political goals. The symbolic approach includes situations where earmarked taxes, since they represent only one source of financing for certain costs or expenses in total, may not significantly affect the total appropriation for expenditures for which the earmarked taxes are introduced. Due to the nonexistence of linkage between taxes and expenditures, these taxes (type "B", "D", "F" and "H") become economically irrelevant.

Effects

Economic theorists do not have a common ground regarding the effects of earmarked taxes. Proponents of earmarked taxes point out that their basic quality is the existence of the linkage between taxes and benefits for taxpayers or consumers, something which can not be found in conventional taxation. Second feature is the existence of linkage between earmarked taxes and

[5] Bird, R.M., Jun J., `Earmarking in Theory and Korean Practice`, Asian Excise Tax Conference, Singapore, March 2-4, 2005, ITP Paper 0513, June 2005, page 3-18

expenses, not only in terms of directing collected revenues. Unlike the management of budget revenues and expenditures, where decisions on taxes and spending decisions are made by different actors, and where citizens often have no insight into the actual costs or expenditures, programs and projects, whereas decision-making process on earmarked revenues is related to decision-making process on spending of collected revenues especially when tax appropriation determines the amount of investment in certain operations. Strong relationship in the decision making process on earmarked taxes and spending, especially if it is based on law, produces positive effects on the efficiency of the allocation of public funds in case of weak fiscal discipline. Limiting the consumption of certain revenues onto certain expenditures and programs, if they are properly selected, can accelerate the reforms in the country, investments in infrastructure, etc., and simultaneously prevent the overflow of appropriated funds allocated to public spending. On the other hand, in the absence of adequate programs to be financed from the earmarked taxes, which could bring a higher level meeting the needs of citizens and higher employment, increased tax burden becomes economically irrational, inefficient and obstacle for the economic growth of the country. Opponents believe that the earmarked taxes restrict the power of government to make decisions on the amount and structure of budget expenditures which leads to rigidity. Government becomes inflexible as it is not able to.

- respond quickly to adverse economic trends changing the current structure of expenditures;
- adequately respond to the change in priorities in meeting the needs of citizens;
- implement specific institutional and structural reform programs and changes in the allocation of resources.

In addition, earmarked taxes increase the risk of moral hazard. A secure and stable financing by revenues from earmarked taxes may weaken financial discipline and fiscal responsibility of a user (in our case - the railway companies), and lead to irrational spending of public resources.

Road Fees in the tax system in BIH

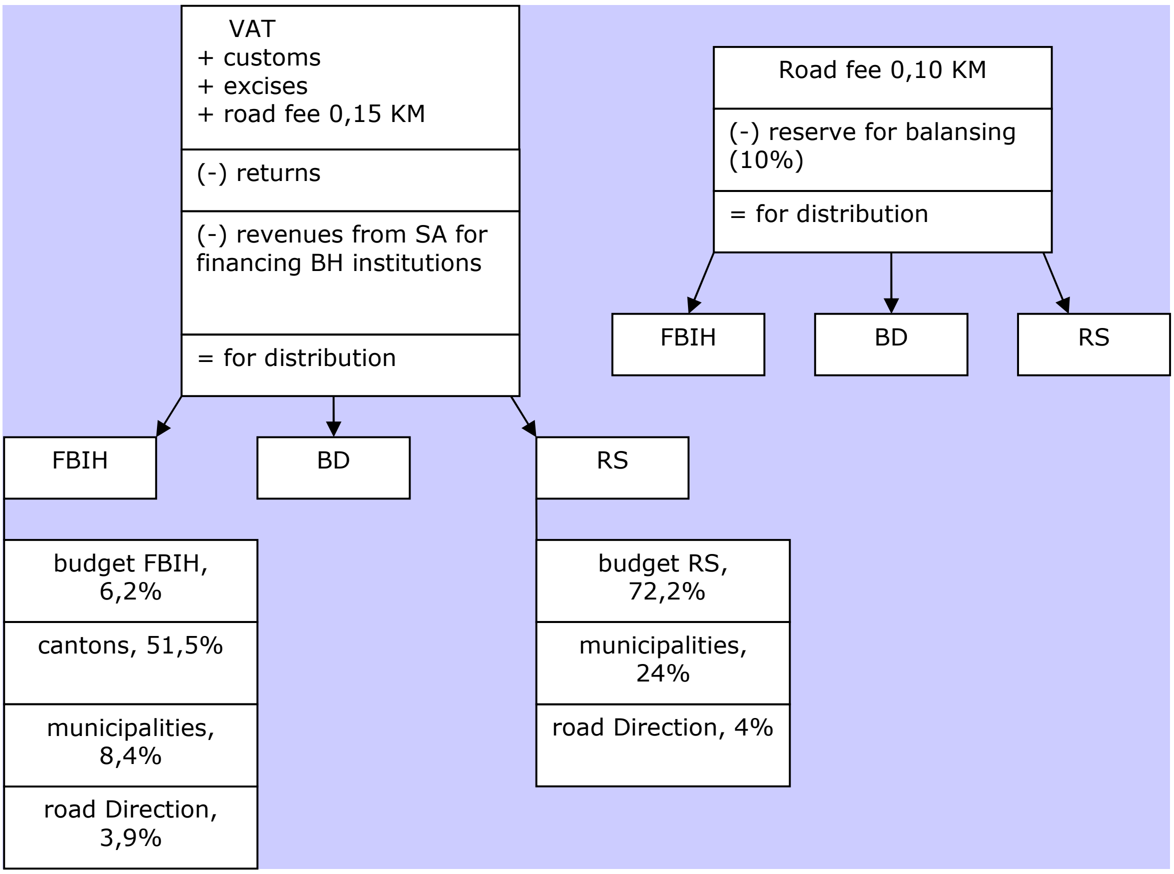
Toll on retail prices of petroleum products is considered as a kind of excise tax on fuels. Revenues from these types of excise taxes are usually of earmarked character, road maintenance and development of road network, or the ecological character, directed to the rehabilitation of negative externalities produced by the use of motor vehicles on public roads. In the tax system in BiH, in the area of indirect taxes, tolls have been collected continuously since the end of the war in both entities according to entity laws, and in the Brcko District ever since 2003. With the reform of indirect taxation following has been established.

- uniform policy of indirect taxation, whose part is collecting tolls,
- harmonized legal framework - the state law on excise taxes, effective from 1/1/2005 up until 6/30/2009.
- flat rate toll of 0.15 KM/l of derivatives
- a single mechanism of collection and distribution of revenues through the single account of the Indirect Taxation Authority (ITA).

With the new Law on excises, which is effective from 7/1/2009, additional road fee for building highways in Bosnia is introduced of 0.10 KM/l. Unlike "standard road fees" of 0.15 KM upon the request of the EBRD and entities it is provided daily distribution of charged additional toll of 0.10 KM on entity sub-accounts. Technical ‘extract’ of additional road fee from the system of distribution of revenues from indirect taxes collected on the SA of ITA (VAT, excises, customs, road fees 0.15 KM) require different formulas of distribution of revenues in relation to a standard form based on the share of final consumption as reported on the VAT declaration (Chart 1).

Governing Board of the ITA has adopted a decision on the temporary allocation of revenues from road fees for the highway on 11/24/2009 which is a day set aside in reserves 10% of the additional road fees collected, and the remaining 90% is shared by the following formula. for the Federation of Bosnia and Herzegovina 59%, for the Republic of Srpska 39%, and the District of Brcko 2% (Chart 1 - right). Not yet reached consensus about the final formula for the distribution of additional toll highways. Negative consequences of this situation is the accumulation of funds to sub for JR reserve for settlement and permanent loss of the effects on employment, growth and income that they could achieve their placement in the construction of the motorway network. The loss is even greater as the revenues keep going during the recession in BiH.

Chart 1. A system of distribution of revenues from indirect taxes in BiH effective from 7/1/2009



IMPLICATIONS OF THE INTRODUCTION OF ADDITIONAL ROAD FEE FOR PUBLIC RAILWAY COMPANIES

Both expenditures, financing railways and roads, are very specific. In both expenditures all consumers can have significant benefits if the revenues from earmarked taxes directed at road construction and modernization of the railway backbone and technical capacity, with the ultimate goal of providing efficient and economical transportation services in BiH. For analysis of the implications of road fees in Bosnia two types of earmarked taxes are important as shown in Table 1 "A" and "B". The conceptual difference between these two types lies in the strength of the linkage between taxes and expenditures. Within type "A" there is stronger linkage between collected earmarked taxes and expenses (i.e., financing public companies) than it stands for type "B" because it is assumed that this is the only or major source of revenues of a company (e.g., communal taxes, fees for water and wastewater management, etc.). However, if it is just extra revenue then the linkage between taxes and expenditures is weaker. Therefore, the road fees for railway would represent a variation of the type "B".

Introduction of earmarked road fee for railways in Bosnia could produce multiple implications. Criticism of public, unions and consumer protection organizations are focused on a possible increase in retail prices of other goods and services as a result of increasing the tax burden on petroleum products. Previous experience in increasing the tax burden have shown that an increase in the consumption tax leads to disproportionate large increase in retail prices, while reducing tax rates in most cases leads to a slight decrease in retail prices than it is to abolish the tax burden. Possible increase in retail prices, resulting from the introduction of the earmarked railway fee may further widen the depression of consumption for the baseline operations of companies, especially those that are energy intensive, and suppress the weak signals of recovery of the BiH economy.

In addition to the necessary technical adjustments of IT system of ITA, introduction of earmarked fee for railways requires changes of several laws. Since the fees are *de facto* separated from "the total amount" of indirect taxes before distribution it is necessary to change the definition and scope of the concept of indirect taxes in the Law on the system of indirect taxation and the principle of distribution in the Law on payments onto single account and distribution. Announcement of the possibility that road fees may be distributed in other way than the rest of indirect taxes requires the adoption of new bylaws by the Governing Board of the ITA. The introduction of the third allocation formula may case that the distribution system of indirect taxes would be even more complex. In addition to state laws it is necessary to change the entity laws regulating the distribution of indirect taxes to the entities and the Law on the allocation of public revenues in FBiH and RS Law on Budget System.

EARMARKED TAXES FOR PUBLIC CORPORATIONS AND FISCAL TRANSPARENCY

Given the commitments from the *stand-by* arrangement with the IMF, which fulfillment release funds of other international financial institutions (loans and budgetary support by the World Bank, EBRD, etc.) it is necessary for each of fiscal policy measures to evaluate its compliance with those commitments. BiH has committed to regularly publish reports on the consolidated fiscal operations of the general government of BiH. General government, according to internationally recognized classification systems, the IMF (GFS), National Accounts (SNA93) and the EU's system of national accounts (ESA95) comprises the government sector at all levels of government in the country. The government sector represents one of five mutually exclusive sectors that make up the economy of a country. Other sectors of the economy are. non-financial corporate sector, financial corporate sector, nonprofit organizations and household sector. From this arises the need of demarcation of operations of government sector in respect of operations of other four sectors of the economy. By definition, the government's activities include activities relating to the implementation of government policies, which is done by providing non-market services and redistribution of income and wealth of the collected taxes, fees and other mandatory fees from non-governmental sector[6]. Given the definition of governmental activities **of public corporations, although an integral part of the public sector, are not included in the government sector since they sell goods and services on the market.** The division stems from the public sector, although in practice very often identified with the government sector, the wider concept than the government sector, since it includes public corporations[7]. In the case of BiH public sector includes general government fiscal operations of the BiH institutions, ITA Single Account, FBiH, RS and Brcko District, cantons, municipalities, extra budgetary funds and entities

[6] Non-market services are provided free of charge or at prices that can not be considered economically significant i.e. that can not significantly influence on supply and demand on the market

[7] In practice there is a term `residual public sector` which understands all units that are covered by the definition of public sector, but do not meet criteria to be included in government sector

Authority for Roads, and all state agencies and institutions which are financed from the budget and resources on the single account of ITA. Financing Railway Corporations from the single account of ITA requires expansion of coverage of consolidation onto those companies too.

Direct financing of public corporations from the earmarked taxes requires full transparency, in terms of information on revenue collected from the earmarked taxes, but also information on the expenditure of these funds to taxpayers, citizens, the general public so they can get an insight into the spending of public funds. In addition, strengthening of financial ties of government and public corporations, in terms of increasing funding of public corporations from public funds, guaranteeing the debts of corporations and government borrowing for public corporations, may represent a risk for maintaining a stable fiscal position of governments, even to the extent that threaten macroeconomic stability of economy. It still raises the issue of ensuring credible information about financial relationships of government and public corporations to creditors, foreign investors and international financial organizations in order to assess the overall fiscal position of the government. The sensitivity of the issue of state subsidies to public corporations requires the application of international standards of fiscal transparency in full swing. According to the internationally recognized Code[8] IMF fiscal transparency is based on four pillars, ten main principles and 45 standards of fiscal transparency. The main four pillars of fiscal transparency are.

- I Clarity of roles and responsibilities
- II Open budget process
- III Public availability of information
- IV Assurance of integrity

The first, second and third pillars of fiscal transparency prescribe practice of taking into consideration of public corporations and publishing data that are of importance for the fiscal position of governments. Fiscal Transparency Standards require the establishment of clear relationships between the government and public corporations, in terms of financing (transfers), borrowing and transfer of profits or dividends. All payments made by public corporations, including taxes, fees, dividends or profits should be disclosed in the financial statements of corporations and government budget documents and vice versa, all transfers from the budget to public corporations must be published in the governmental financial statements. Public corporations are required to follow other international financial standards. corporate governance, accounting and auditing standards. The standards prescribe that it is vital that the government's annual budget includes all fiscal and quasi-fiscal activities of government, extra budgetary funds, public corporations, tax expenditures, potential liabilities etc., in order to gain full access to the collection and allocation of public resources and its compliance with the designed goals and priorities. In addition, the government budget document should include information about the finances of public corporations, to the extent that would allow an adequate assessment of fiscal risks. In addition to delivery commitments Independent Auditor's Report on the annual financial report, the standard requires the disclosure of important information about their finances in the budget documents, including the operating balance and other information necessary for the proper assessment of fiscal risks for governments that can be caused by the business of public corporations.

IMPLICATIONS ON THE PROCESS OF EUROPEAN INTEGRATION

Before proposing any change in the sphere of fiscal policy it is necessary to evaluate compliance with the commitments proposed by the EU (European Partnership Agreement on Stabilization and Association Agreement, *the Acquis).* In the light of European integration the proposal of earmarked tax for the benefit of railway companies raises two important questions.

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[8] IMF, Manual on Fiscal Transparency, 2007, Washington

- harmonization of taxation of energy products with minimum EU standards
- harmonization of introduction of a tax with selective character with the EU rules.

Harmonization with the minimum rate of taxation of energy products in the EU

Apart from the fiscal, economic and social consequences of increasing tax burdens and consequently the price of energy products, that is, to a greater or lesser extent, the input for the production of all goods and services, it is necessary to assess whether the introduction of new tax rates is in line to meet its obligations towards the EU in the process of association and stabilization. The question arises whether it is possible to absorb the increase of the tax burden in energy prices. In order to give answers on those questions it is necessary to analyze the current excise tax policy in the EU and the `2020` strategic document and to analyze the structure of prices and energy market in BiH compared with European practice.

At the beginning of year 2010 expected changes in the system of excises on petroleum products in the EU entered into force. Rates of excise duties on petroleum products in most member states are already at or significantly above the new minimum rates. This is in line with the commitment of the European Commission to establish a consistent policy of taxation of commercial diesel fuel across the EU, which includes several segments.

- convergence of excise rates - excise tax rate reduction in the "old" EU Member States and increase the excise rate in the new Member States
- elimination of motor gasoline from the use
- application of the principles of fuel taxation by the purpose of consumption, rather than by type of fuel
- equalization of rates of excise duties on diesel and unleaded gasoline.

Increasing the rate of excise duty on diesel is a result of environmental pollution studies, which showed that the previous opinion that diesel vehicles are less polluting rather than unleaded gasoline vehicles are not grounded. It is envisaged that the strategy is implemented in several phases. until year 2012 it is necessary to equalize the excise tax on commercial diesel fuel from its current level of excise duties to the level of unleaded petrol (EUR 359/1000 l) and gradually increase the minimum excise tax which will amount EUR 380/1000 l starting from year 2014. The increase of the minimum excise tax is justified with the necessity to preserve the real value of fiscal revenues. For this reason, prescribed minimum excise tax duty is indexed with inflation forecasted up until the year 2014. Increasing the minimum excise explains the new EU policy in the sphere of reducing the space for tax evasion, thus achieving a double effect on fiscal revenues and energy market. With equalization of the excises on petrol, diesel and kerosene, taxpayers are no longer motivated to use less tax burdened fuel to power engines. This policy contributes to reducing the labor costs of tax administration, which does not have to spend resources to detect fraud in the consumption of fuel. It is expected that the application of new policies will strengthen the regular energy market and will increase the reliability of the statistics of energy consumption and income. This, ultimately, contributes to the quality of planning, growth and development of energy sector, automobile and other related industries and the overall economy.

The last increase of excise duty from 1/1/2010 applied only to the excise tax on diesel, while taxes on other petroleum products remained unchanged. From 1/1/2004 excise tax on diesel amounted to 302 EUR/1000 l, and was increased to 330 EUR/1000 l from 1/1/2010. For a small number of Member Countries higher minimum rates of excise duties on petroleum products means the continuation of painful process of increasing domestic rates. A new phase of harmonization, since it unexpectedly comes at a time of economic crisis, recession and only weak signs of economic recovery of the EU, will require careful balancing of dynamics and pace of harmonization of taxation of energy products with potential negative implications of increasing the rate of excise on economic growth, price level, aggregate demand, liquidity and competitiveness of companies.

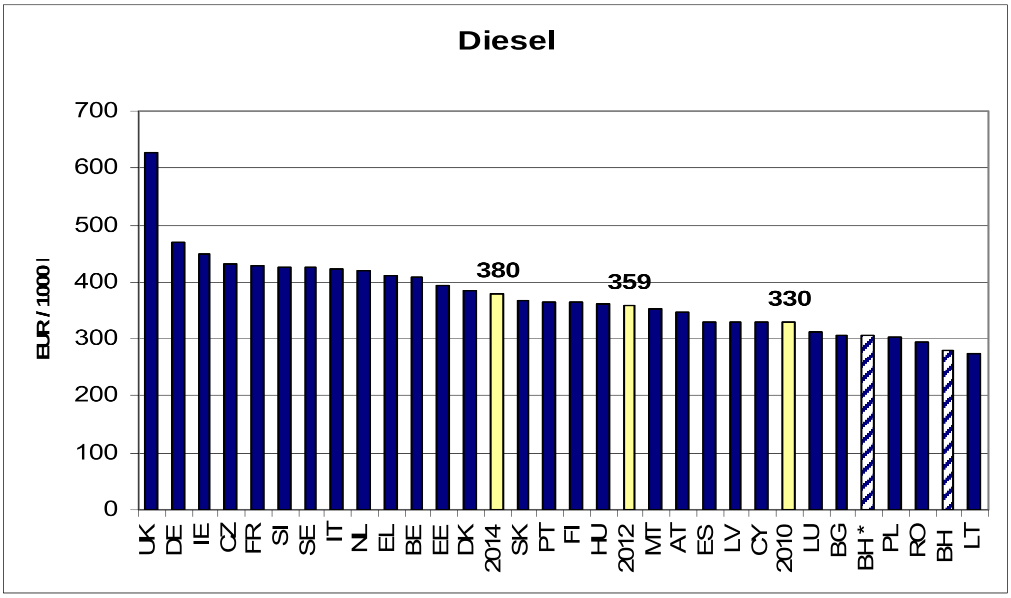

Chart 2

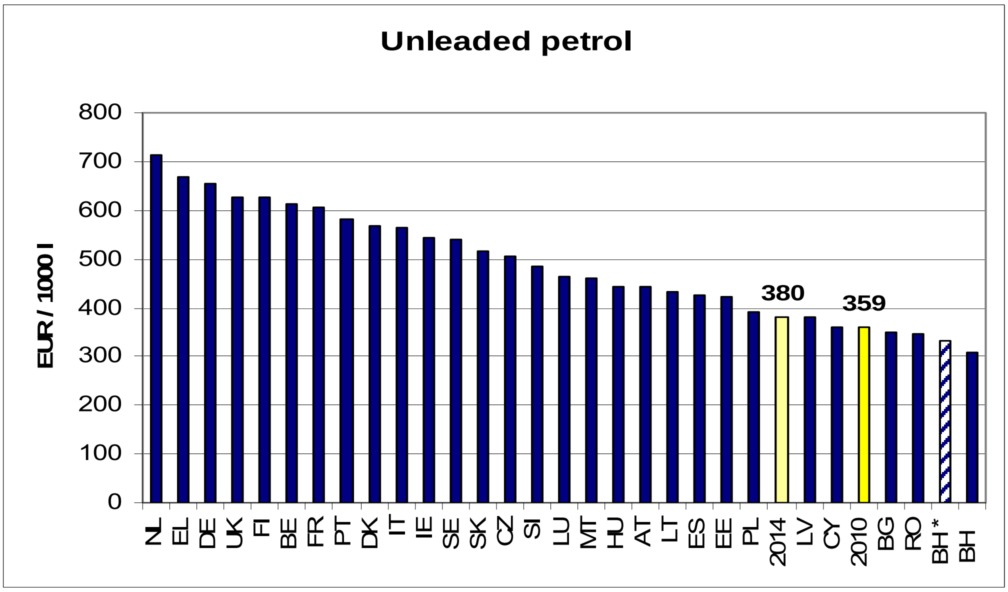

Chart 3

Comparing the rates of excise duties in Bosnia with the excise duties on diesel and unleaded petrol in the EU[9] (Chart 2 and 3) it can be noticed that BiH is expectedly among the states with the lowest rates. The introduction of an additional 0.05 KM for public railway companies in Bosnia and Herzegovina (BH* symbol on the charts) will move slightly the current position of BiH to the EU minimum excise tax rates. Because of the initially higher rate of excise on unleaded petrol (0.35 KM/l) in BiH in relation to diesel (0.30 KM/l) differences of total excise taxes, which includes all three types of road fees in relation to the minimum excise tax in the EU is less than it is the case

[9] Source of data: European Commission, 7/1/2010

with diesel given the Union's intention to equalize taxes on diesel and unleaded petrol by 2012. This implies that in the coming period it will be necessary to increase the excise on diesel in a larger amount than on unleaded gasoline. The positive fact is that the consumption of motor gasoline in Bosnia has been reduced to a minimum over the last year.

Bearing in mind that there is no reliable indication of the BiH economy is out of crisis, increasing excise duties on energy products a moment of getting the economy out of recession is becoming further and more uncertain. The question is whether there is room for neutralizing a small increase in excise taxes on fuels. Comparing the amount of retail prices for 1 liter of unleaded petrol in some EU Member States and BiH (Table 2) we see that the lowest price is in BiH. Analyzing the structure of retail price we see that the pre-tax price, which includes the production costs (refinery price), profit and possibly customs duties, is higher in Bosnia than in other countries. The reason can be import of oil from countries with which we have not signed duty free arrangements (e.g. Russia), and low efficiency of internal economy, more intermediaries and long trade chains that make more expensive and higher retail price, unregulated and fragmented market that favors the autarkic behavior and provides a monopoly of local and regional distributors, especially in situations when a product is considered as a local good (consumption of citizens and local companies). If we start from an average price of 2.01 KM/l as a constant in the case of introducing road fees for public railway companies (column BH* in Table 2) pre-tax price is still higher than in Slovenia. Applying the increase of road fees on a wide range of prices on the gas stations in BH (Table 3), we conclude that there is room for adjustment and improvement of internal operations of distributors and refineries, while retaining the same retail price. Finding internal reserves is necessary for distributors because insisting on shifting a new tax burden on consumers could further reduce energy consumption in BiH (for first five months in 2010 consumption of petroleum products has been reduced by 9%), which would in the longer term led distributors in a difficult position.

Table 2. Structure of the retail price of 1 liter of unleaded gasoline

		Czech Republic	Slovenia	Austria	BIH	BH *
1	MPC (1 l BMB)	**2.50**	**2.38**	**2.35**	**2.01**	**2.01**
2	VAT	12.42	00.40	00.39	00.29	**00.29**
3	excise duty	0.99	0.96	0.86	0.60	**0.65**
4	Price before tax (1-2-3)	**1.09**	**1.03**	**1.09**	**1.12**	**1.07**

From price for EU (European Commission, Directorate General for Mobility and Transport, 07/19/2010
BiH. price in Banja Luka, 7/19/2010

Table 3. Structure of the retail price of 1 liter of unleaded gasoline on gas stations in Bosnia-Herzegovina[10]

MPC (1 l BMB)	1.97	1.98	1.99	2.00	2.01	2.02	2.03	2.04	2.05	2.06	2.07
A	1.08	1.09	1.10	1.11	1.12	1.13	1.14	1.14	1.15	1.16	1.17
B	1.03	1.04	1.05	1.06	1.07	1.08	1.09	1.09	1.10	1.11	1.12

A - The price before tax with excise duty of 0.60 KM/l (0.35 +0.15 +0.10)
B - Price before tax after the increase of road fees amounted 0.65 KM/l (0.35 +0.15 +0.10 +0.05)

Earmarked taxes for public corporations and rules in the EU

Since the end of the war entities were trying to help the survival of the railway corporations, which have found themselves in a difficult position, with destroyed transportation infrastructure, obsolete

[10] Source: prices at gas stations on route Banja Luka – Doboj – Sarajevo, 7/26/2010

technical capacities, and huge surplus of workers. The entities financed railway corporations mainly through grants and transfers from the budget. That these were large funds demonstrates the fact that the grant appropriated only to the RS Railways in 2009 amounted to 32 million KM. A tax for financing the Railways, as a type of indirect taxes, were collected in RS until late 2004, when the Law on sales tax was adopted on the state level. In the RS, according to special legislation, they had been collected the 2% on sales of all goods and services for the development of rail traffic for eight years. Analyses have shown that in practice taxpayers were often paying regular taxes on sales of goods and services (8% or 18%), but they avoided paying 2% tax for the Railway. With this has been derogated the main motive of introduction of the earmarked tax. The introduction of direct funding the Railway Companies through taxes presents somehow the way to formalize the previous "quiet" support to Railways from the entity's budgets. However, unlike funding public, non-market goods and services from a "pool" taxing directly for the purposes of funding public corporations operating on the market raises the question of distortion of competition on the market. Market of transportation of goods and people is specific because there are strong substitutes: with the transportation of goods there are conflicting interests of transportation by rail and road[11], and with the transportation of people competition expands on those means of transportation by air and by cars. Without going into more detailed matters of state aid in the evaluation of proposals of introduction of road fees for the Railways it is necessary to consider whether the state aid to public corporations that operate on the market is in accordance with commitments set by BiH European Partnership on Stabilization and Association Agreement (SAA), and *the Acquis.*

The rules governing competition in the EU market and the allocation of state aid to public companies are very strict. EU rules regarding state aid related to *"the impact of subsidies, tax incentives and other forms of government concessions on competition and trade, of which some firms have the benefit of, and which in turn may adversely affect other firms"*[12]. According to Article 86 of the Treaty (106 now) companies that provide services of general economic interest or having the character of a monopoly in terms of generating revenue will be subject to the rules of the Treaty, especially the rules of competition, to the extent that application of these rules will not endanger the effects of the tasks entrusted to them. It is necessary to ensure that development is not at risk of trade, which would be contrary to the interests of the Union. According to Article 87 of the Treaty (107 now) it is necessary to avoid providing of assistance, either by members or through resources of a member country, which means favoring certain undertakings or the production of certain goods, which, **in any form** threaten or could threaten competition and trade between Member States. In Article 87 it appears that the specific aid, that should be treated as from a state and be incompatible with the EU, must meet the following preconditions.

- to directly or indirectly be financed by the state source,
- that it favored certain companies (operators),
- that of the selective nature, directed toward a certain group companies or certain goods,
- to influence, directly or potentially, competition and trade

In Article 71 (c) of SAA in the chapter "Competition and other economic provisions" is quoted following ... *"Incompatible with the proper functioning of this Agreement, to the extent that may affect trade between the Community and Bosnia and Herzegovina ... any state aid which distorts or threatens to distort competition by favoring certain undertakings or certain products.."* It further states that in any practice which is contrary to the article judged *"on the basis of criteria arising from the application of competition rules applicable in the community, especially article 81,*

[11] With activating the Brcko Port on the river Sava will present a new substitute – transportation of goods by river, and additional strengthening of transportation by air is expected too

[12] Stuart. E., Vuletic D., `Uvod u reguliranje drzavne pomoci prema pravu Europskih zajednica – Prirucnik za Bosnu i Hercegovinu`, Sarajevo 2006, page 11

82, 86 and 87 of the *EC Treaty and interpretative instruments adopted by the Community institutions*[13]*.*

In light of the application of Article 71, country BiH is required.

1. to establish an independent state body which will be entrusted with the powers necessary for the full implementation of the provisions of Article 71 (c) within two years from the date of entry into force of the Agreement. This authority will be authorized to approve the state aid programs and individual aid and to determine the recovery of State Aid that has been illegally granted.

2. to record programs of state aid and make them compliant with the criteria of the SAA within a maximum of four years starting from the entry into force of the Agreement.

With the Article 72 of the Treaty, which stipulates the obligations related to public companies, BiH should apply principles from the EU Treaty with special emphasize on Article 86 by the end of the third year of the entry into force of the Agreement on the public companies and companies that have been granted special and exclusive rights.

CONCLUSION

The initiative for the introduction of road fees for the railway companies opens a number of issues concerning the economic and fiscal implications such a tax measure may have on the state, citizens and businesses, but also difficult questions about the implications on business competition and the functioning of the transportation market. It is obvious that the authorities want to ensure a safe and stable flow of revenue to the railway system in BiH, and thus relieve the entity budgets from grants for supporting the railway companies. This also ensures social stability and the survival of such a kind before getting out of the economy from recession. Although until now citizens and businesses indirectly through the budget financed railways, probably to a greater extent than it will be through additional road fee of 0.05 KM/l if enters into force, the introduction of initiative of indirect tax burden on petroleum products has caused a stormy public outcry. Although the increase of excise duties on petroleum products is generally in accordance with the process of the gradual increasing excise taxes on fuels in the EU it raises the question of whether the best moment was chosen for harmonization, given the expressed weak recovery of BiH economy. Since the problem of financing the railways touches upon matters of state aid and competition it is necessary to carefully examine whether the initiative is in accordance with the commitments set by the Stabilization and Association Agreement with EU principles and rules of the Treaty of Lisbon.

[13] After the Lisabon Treaty enteres into force abovementioned articles will become 101, 102, 106 and 107. See consolidated version of the EU Treaty and Agreement of functioning the EU

Revenue and Expenditure Multi-year Forecasting – importance, role, local and international practice

(Author. Aleksandar Eskić, Macroeconomist in the Unit)

Introduction

In many parts of the world, public authorities have the ability to introduce new tax, raise or lower existing tax rates; and the resulting budget development process is an iterative process between revenue forecasting and expenditure planning. The difficult decisions regarding acceptable tax rates and spending plans is the tangible reality of how a local government assumes the responsibility for realizing its community's goals of quality service delivery and adequate capital improvements.

Situation in Bosnia and Herzegovina, in a sense of controlling the most important revenue sources, has been changed over the last several years. Until 2005 i.e. before introduction of Single Account, competencies were exclusively at the entity level including cantons in FBiH. With establishing Single Account and after the introduction of value-added tax as well i.e. from the beginning of 2006, which replaced sales tax, control mechanisms were transfered at the level of Institutions of BiH, primarly Indirect Taxation Authority of BiH, Governing Board of the Indirect Taxation Authority of BiH, Council of Ministers of BiH and Parliament of BiH as a legislative body. Nevertheless, participation of entities in decision making process, shaping the policy of indirect taxation and policy of distribution of collected reveneus on the Single Account is secured through the Governing Board of the Indirect Taxation Authority of BiH, and also Council of Ministers of BiH and Parliament of BiH.

Considering the fact that lower levels of government in Bosnia Herzegovina can not raise or decrease the rates for the most significant sources of revenues[14], it can be said that their budget development process is revenue-based. In other words, lower levels must approach the budget development process by first determining the amount of revenues that will be available. This level of revenues then frames exactly how much the municipality will have to allocate for service delivery expenditures or capital investments. The expenditure plan is therefore created within the confines of a fairly inflexible framework of state and entity-controlled revenues.

Despite the fact that there is no local authority to raise revenues, municipalities must continue to pursue ambitious service delivery plans and capital investment programs. Regardless of who collects and distributes tax revenues, local tax payers still hold the municipal officials and local administration accountable for quality service delivery and tangible infrastructure progress. As a result, municipalities must make extremely accurate forecasts in order to maximize their ability to achieve service objectives and capital improvements.

Also, it is needed to improve communication and data exchange between different tax authorities within BIH; notably between entities‟ tax authorities and Indirect Tax Authority. This becomes even more important since all the organizations have more or less the same mission and can help each other in achieving defined objectives. This segment is very important if it is observed in the light of EU integration process and communication and data exchange with other tax authoritites in the EU. There is a whole bunch of legislation at the EU level that regulate this area and tax authorities of the EU Member Countries strictly stick to these.

At the same time, it is needed to better understand the role and importance of multi-year forecasting of revenues and expenditures at all levels of government. By doing so many critics directed towards higher levels of government would be avoided whose essential cause lies in lack of understanding of the whole process and eventually does not contribute to improvement of exisiting practice which is not immune on systematic difficulties immanent to this process. It is important to highlight that it is needed to build and improve the system instead of criticizing it and contesting it without adequate exit strategy and good enough arguments.

[14] Share of revenues from the Single Account in total revenues at all administrative levels ranges between 40% and 50%

In the text below we will provide a number of tools that are oriented toward more accurate and reliable forecasts of revenues. The methodologies recommended in this reference manual are targeted toward finance and budget administrators in public administration bodies in BiH with no exception.

Note of caution. The dual goal of improving the accuracy of revenue forecasting should include both minimizing the levels of underestimation on some sources while reducing the risk of overspending because of revenue overestimates. Municipalities that dramatically underestimate the level of a particular revenue do a disservice to their organization and community because it represents a lost opportunity. With budget rebalances occurring late in the year, usually 10 months have lapsed before the over realized revenues can be spent toward the achievement of a capital project or service improvement. However, the overestimation of revenues can lead to overspending and result in dramatic last-minute budget cuts that cripple service plans or capital improvement projects.[15] Ultimately, inaccurate revenue forecasts can result in long term damage to political reputations and administrative effectiveness.

As a result, the ultimate goal of improving municipal revenue forecasting is to ***maximize*** the accuracy of revenue projections in order to provide adequate support for service and capital programs. The methods proposed in this manual use strong data-oriented practices in order to increase forecasting accuracy and ***minimize*** the risks of overestimating or underestimating revenues that could arise from using non-quantitative judgments or only a few variables to forecast all revenue sources.

Fundementals for Improved Forecasting

Because it is important to both ***develop*** and ***explain*** how the revenue forecast was established, this document encourages continuous improvements in revenue forecasting through three fundamental steps.

1) Committing to a **data-oriented, multi-year approach**
2) **Developing alternative forecast scenarios** by using time series analysis
3) Using **key municipal variables and local economic drivers** to make more informed decisions about the level of revenue upon which to base the budget

The three steps represent a fairly comprehensive commitment to gathering and using data in revenue forecasting analysis and decisions. The establishment of comprehensive data regarding historical collections and revenues as well as economic variables takes a lot of time and energy. Therefore, as with many organizational changes, the administrative body should pursue improved revenue forecasting in a continuous manner. Selecting and improving the forecasts for the top ten revenues based on amounts or selecting the sources that constitute 80 percent of the revenue total are two ways to prioritize staff time and begin the process of improvement in the first year. A long term vision of continued efforts will lead to additional improvements in subsequent years.

Step 1 Establishing a data-oriented, multi-year approach

Why do it?

Using data or a factual basis in all areas of government decision making is important to make better and more informed decisions. Equally important, the use of data in decision making allows the decisions to be easily explained to stakeholders such as tax payers, community groups, and assembly members. Over time, the development and maintenance of a strong data system will provide an increased ability of the decision makers to read, review, and understand administrative recommendations that lead to improved accuracy and effectiveness.

Using data to make decisions in finance and budgeting is especially critical. Sometimes budget officials use their own expert judgment and experience to forecast revenues. While this can be an accurate method, it depends entirely on the experience and insight of the individual making the

[15] The risk of overspending for the first 10 months is significantly reduced if the municipality has strong budget execution reporting practices such as monthly budget and actual reports.

judgment. Unfortunately, expert judgment is also very difficult to explain to a small group of stakeholders and almost impossible to explain to large groups of citizen groups. Finally, expert judgments by a single person ultimately results in the absence of a permanent record of decision making factors that would inform future administrators or stakeholders as they try to improve the level of accuracy of future forecasts.

In contrast, using facts and data to support revenue forecasts allows finance officers and managers to concretely demonstrate how decisions are reached. Over time, the use of data also allows finance staff and managers to demonstrate the improvements in effectiveness of past decisions by referring to historical records and analysis. Using historical figures to illustrate trends regarding revenues collected, share of revenues of different administrative levels in total revenues collected, economic or demographic trends, helps improve the accuracy of forecasts and directly illustrates why specific revenue figures are included in the draft or recommended budget.

The initial establishment of a historical basis of data requires a serious commitment of time and effort. To gather the information regarding years of data for each municipal revenue source requires knowing the appropriate people and places where the data is stored. Because of time and effort required to gather the data initially, it is strongly recommended that municipalities enter the data in a MS Excel spreadsheet to ensure that it is not lost and so that it is easily accessible in the future. Once established, a strong foundation in historical revenue, economic, and demographic trends then provides a powerful tool for finance officers and managers to use as they improve future forecasts.

What to do? How to do it?

Establishing a data-oriented, multi-year approach to revenue forecasting requires the following steps at a minimum.

1. Establish a historical trend

a) Collect and enter data (in a spreadsheet) regarding the past 10 years of actual **revenues received** for each revenue source. If 10 years is not possible, input data from as many years as possible. For example, with revenues from indirect taxes, they should be recorded for previous periods.

b) Collect and enter data regarding the past 10 years of actual **revenues collected** in the municipality for each source. For example, with income tax, the municipality may have to obtain the data on the total income tax collections from the entity level tax office, if the municipality does not have that information already. The relationship between collections and receipts should be according to a formula for distribution. Obtaining this data and displaying it ensures that the formulas are applied in a transparent manner and provides parallel long term trends for each revenue between collections and municipal receipts. Some of the data on revenue collections would be available internally (i.e. building permit applications and building permit fees) and some would be obtained through the entity level tax office (income tax).

c) Finally, collect and enter data regarding the activity that actually determines the level of revenue collected. In the case of income tax, it would be total income on designated teritory. In the case of building permit revenues it would be total building permit applications.

These historical trends create the factual basis for forecasting revenues in the future.

2. Establish a complete understanding and clear record of the revenue mechanics. *(Question. How does the revenue work?)*

After collecting and inputting the historic data for the revenues generated, collected, and received, the next step is to study and record the mechanics of how the revenue source actually works. The type of information in this area includes recording the answers to the following questions.

- What goods or services does the revenue apply to and at what percent?

- How is the revenue collected and who collects it?
- How does the budget beneficiary receive it? According to what formula?
- When does the budget beneficiary actually receive the revenue during the year?

This information allows the budget beneficiary to clearly present and explain how the revenue works to stakeholders and decision makers who might need a greater understanding of the main revenues that effect the organization.

3. Develop a clear picture of the causes for revenue fluctuations or revenue dynamics
(Question. What causes the revenue to fluctuate?)
After establishing the historical record and the mechanics of how the revenue works, it is critical to study and identify the main factors that cause fluctuations in the revenue totals. One of the best methods of discovering the main factors behind revenue fluctuations is to identify a revenue change from one year to the next and continue to seek the underlying reasons why. For example, there may be numerous factors that cause building permits to increase from one year to the next. First, quite simply, it might be because the fee for permit applications was reduced. It might also be because the commercial development atmosphere was very positive. This might be demonstrated by the pent up demand for development that is reflected in the increase in the number of urban permits in the prior year that automatically relate to building permits. In this case there may be a direct relationship between urban permits from one year being transformed to building permits in the following year. Please note however, that this relationship may not be a 1.1 relationship. In some cases, developers obtain an urban permit and then do not have the funds to continue with the project in the next year. Therefore, overall, one might find a ratio of 75 percent (for illustrative purposes) of urban permits translate to building permits on a year to year basis. Finally, one might be able to identify local economic factors regarding commercial development or rising population that should also be considered critical to understanding the fluctuations in annual revenue totals.
As the examples illustrate, the accumulation of the information regarding the drivers of the revenue comes from both internal sources (urban permit fee rates or volume in the urban planning department) and external sources (population growth or commercial growth). At this point, it is critical to begin to develop a table of fundamental projection variables that will be used to make decisions regarding individual revenue forecasts and ultimately, to make the choice among three different scenarios.
Together, these three pieces of information (historic trends, revenue mechanics, and projection variables) comprise a comprehensive understanding and solid factual basis for improving the accuracy of revenue forecasts. The records for each revenue source will also provide an ongoing resource for the municipality to use in future years.

Instead of conclusion

In next edition of the Bulletin we will publish the second part of the article which will talk more about designing different scenarios using alternative revenue forecasting by doing time-series data analysis and decison making process based on information on estimating budget revenues by analysis of trends of key variables as well.

Lending of International Monetary Fund

(Prepared by: Aleksandra Regoje, macroeconomist)

In the thirties of the last century, at the time when the countries struggled with a great economic crisis, currency devaluation seemed as attractive means to increase competitiveness and export its own recession to other countries. The series moves of "beggar thy neighbor" was self-destructive, because each country tended to devaluate its own currency before others. So-called customs war started in order to decrease import and stimulate the production. Imports had been decreased, as well as exports- because all countries pulled the same moves.

Due to the spiral effect of protectionist measures there has been a massive decline of international trade. Of course, the production hasn't been initiated in this way. Instead of that, there was a complete collapse of international trade.[16]

In the year 1944, representatives of 44 countries gathered at conference in Bretton Woods, New Hampshire, northeast of USA.[17] The main goal of the conference was reform of international monetary system,[18] and it led to the establishment of International Monetary Fund (IMF). In order to avoid the possibility of uncontrolled devaluations, all exchange rates were fixed, and changes were possible only with the prior approval of IMF. Instead of devaluation measures, IMF could provide loan to the countries facing balance of payment problems. Customs and capital controls could be used only as temporary measures in the period immediately after war. All countries have defined fixed relation to US dollar, and dollar was directly fixed to gold.

Bretton Woods system has been functioning for a very long time. The exchange rates have been rather stable, and IMF system of lending for countries facing balance of payment difficulties has been developed. IMF handled the resources in the amount of deposits of its member countries, of which 25% was in gold or dollars, and 75% in member's own currency. The amount of the deposit of each member country depended on its share in international trade, which was the basis for defining its quota. On the other hand, the quota determines significance of the right to vote, as well as the right to borrow. The world was on the dollar standard for three decades following World War II. The major part of international trade and financing has been carried out in US dollar, which was also private and government reserve currency. That period was characterized by growth and progress. The economies of Western Europe and East Asia have recovered from war and recorded high growth rates. The high inflation growth at uneven rates was recorded in most countries in the late sixties. That exerted high pressure on exchange rates, which had not been changed since 1940's. Some currencies revaluated and other devaluated. On the other hand, the dollars reserves had been accumulating in abroad and trade balance of USA had deteriorated, which caused the end of direct convertibility of the dollar to gold in 1971. That destroyed the key component of Bretton Woods agreement. In January 1976 the Jamaica Agreement defined new IMF role. the supervision of the world monetary system in the surrounding of floating exchange rates.[19]

Currently, there are three main roles of IMF.

1) Surveillance- involves the monitoring of economic and financial developments, and the provision of policy advice, aimed especially at crisis-prevention.
2) Technical assistance and training for member countries.

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[16] Burda & Wyplpsz, Macroeconomics, European textbook, the third edition, transl. by D. Popovic, CLDS 2004, Beograd
[17] R. Kovačević, „Međunarodne finansije", Beograd 1998
[18] The representatives discussed two plans: the British plan developed by Keynes and American plan developed by H.D. White from USA. Keynes proposed the establishment of the Clearing Union with the possibility of exceeding the credits and creating reserves, as well as creating international currency unit- the Bancor. However, the plan similar to White's had been adopted, after known as Bretton Woods.
[19] Burda & Wyplpsz, ibid

3) Lending to countries with balance of payment difficulties. The financial assistance together with implementation of measures to correct underlying of problems makes possible for member countries to rebuild their international reserves, stabilize their currencies and provide conditions for the economic growth. Loans to low-income countries are also aimed especially at poverty reduction.[20]

IMF lending

The causes of crisis are varied and complex. Some of the main causes include weak financial systems, large fiscal deficits and high levels of public debt, exchange rates fixed at inappropriate levels, natural disasters or wars, or increase in the price of key commodities - such as food or fuel. IMF loans aim to give countries breathing room to implement reforms and policies that will restore conditions for sustainable growth. These policies differ depending upon the cause of the problem.

The volume of loans provided by the IMF has fluctuated significantly over time. The oil shock of the 1970's and the debt crisis of the 1980's were both significantly influenced increase of them. Transition process in Central and Eastern Europe and the crisis in emerging market economies of the 1990's led to the further surges of demand for IMF resources. Crisis in Latin America kept demand for IMF resources high at the beginning of 21st century, but these loans were largely repaid as conditions improved. IMF lending rose again starting in late 2008, due to global economic crisis.

Various loan instruments have been developed over the years, in order to address specific circumstances of diverse member countries. Low-income countries may borrow on concessional terms through the ***Extended Credit Facility (ECF), the Standby Credit Facility (SCF) and the Rapid Credit Facility (RCF)***. Non-concessional loans are provided mainly through ***Stand-by arrangements (SBA), the Flexible Credit Line (FCL) and the Extended Fund Facility*** (which is useful primarily for longer-term needs). The IMF also provides other kinds of loans, such as emergency assistance to support recovery in countries which experienced natural disasters and conflicts.

The new concessional facilities for low-income countries **(ECF, SCF and RCF)** were established in January 2010 under the ***Poverty Reduction and Growth Facility-*** **PRGF**, in order to make the financial support better tailored to the diverse needs of low-income countries. Those reforms enabled the Fund to react more rapidly towards countries facing economic and financial problems, caused by global economic crisis.

IMF: Stand-By Arrangement with B&H

On 8 July 2009, IMF Executive board approved 36 month Stand-By Arrangement to Bosnia and Herzegovina in the amount of SDR 1,01 billion ($1,57 billion) in order to support economic program to mitigate the effects of the global financial crisis.

Length: 36 months (July 2009 to June 2012)
Total amount: SDR 1.01 billion (600 percent of quota)
Disbursement: quarterly, subject to quarterly reviews
First tranche: SDR 182.6 mil, July 2009
Second and third tranches: SDR 121.75 mil, March 2010
Economic program aims to safeguard the currency board, cushion the effects of deteriorating external environment, reduce fiscal imbalances, and strengthen financial sector.

The bulk of Fund's assistance to middle-income countries is provided through ***Stand by Arrangements (SBA).*** The SBA is designed to help countries address short-term balance of payment problems. Instead of mitigating the symptoms, countries should take care of the real

[20] "What IMF does", http://www.imf.org/external/work.htm

causes of the crisis. It is usually about tighten discipline in fiscal and monetary sectors. IMF firstly appraises the situation and gives recommendations to the government. The conditioning follows after that and country is being approved with emergency loan, under the condition that government carries out agreed policy measures. Finally, during the disbursement divided into several tranches, the IMF supervises the implementation of the Agreement. If the country doesn't fulfill agreed obligations, the IMF doesn't disburse the next tranche.[21] On the other hand, the economic and financial recovery of the country enables the IMF to collect debts and to provide loans to other member countries. The length of SBA is usually 1-2 years, and repayment is due $3_{1/4}$ – 5 years of disbursement.[22]

Group for coordination of fiscal statistical data

In order to carry out reporting obligations under Stand-By Arrangement, Fiscal Council of Bosnia and Herzegovina made the decision on establishing the Group for coordination of fiscal statistical data for monitoring the realization of the Agreement. The Group consists of two representatives from Macroeconomic Analysis Unit, Ministry of Finance and Treasury of B&H, Ministry of Finance RS, Federal Ministry of Finance and Central Bank of B&H, and one representative from District Brcko.
According to the Conclusion of Fiscal Council, the consolidated reports of government revenue, expenditure and financing are being published on the web page of Macroeconomic Analysis Unit, according with the terms of SBA.

***Flexible Credit Line* (FCL)** is for countries with very strong policies and track records of policy implementation. FCL is especially useful for crisis prevention purposes. FCL arrangements are approved for countries meeting pre-set qualification criteria. The length of the FCL is 6 months or 1 year and the repayment period the same as for the SBA. Disbursements under the FCL are not conditioned on implementation of specific policy.

Extended Fund Facility was established in 1974 to help countries address longer-term balance of payments problems requiring fundamental economic reforms. Arrangements under the EFF are thus longer than SBA. The length is usually 3 years. Repayment is due within 4½–10 years from the date of disbursement

Emergency assistance is for countries that have experienced a natural disaster or are emerging from conflict. Loans should be repaid within 3¼–5 years.

Table 1. Arrangements approved and augmented during financial year ended April 30, 2000-2009

	Number of arrangements					Amounts (in millions of SDR)				
Fin. year	Stand-By	EFF	FCL	PRGF ESF	Total	Stand-By	EFF	FCL	PRGF ESF	Total
2000	11	4	-	10	25	15,706	6,582	-	641	22,929
2001	11	1	-	14	26	13,093	-9	-	1,249	14,333
2002	9	-	-	9	18	39,439	-	-	1,848	41,287
2003	10	2	-	10	22	28,597	794	-	1,180	30,571
2004	5	-	-	10	15	14,519	-	-	967	15,486
2005	6	-	-	8	14	1,188	-	-	525	1,713
2006	5	1	-	7	13	8,336	9	-	129	8,474
2007	2	-	-	10	12	237	-	-	363	600
2008	3	1	-	4	8	556	343	-	434	1,333
2009	14	-	1	13	28	34,249	-	31,528	959	66,736

Source. IMF Annual Report of the Executive Board for the Financial Year Ended April 30, 2009, Appendix II, Financial operations and transactions

[21] Burda & Wyplpsz, ibid
[22] IMF lending, www.imf.org

The IMF provides policy advice and financial support upon request by its member countries. An IMF staff team travels to the country to assess the economic situation and discuss with the government on what should be the appropriate policy response. A part of these talks is assessment of the country's financing needs. Once an agreement has been reached on policies and a financing package, a recommendation is made to the IMF's Executive Board to endorse the program and disburse the loan.[23]

Table 2. IMF support for European countries affected by the global crisis (as of March 8, 2010)

Country	IMF Loan Size, Approval Date
Hungary	15,7 billion $, Nov 2008
Ukraine	16,9 billion $, Nov 2008
Iceland	2,1 billion $, Nov 2008
Latvia	2,35 billion $, Dec 2008
Belarus	2,5 billion $, Jan 2009, augmented to 3,5 billion $ in June 2009
Serbia	0,5 billion $, Jan 2009, augmented to 4 billion $ in May 2009
Romania	17,1 billion $, May 2009
Poland	20,6 billion $, FCL, May 2009
B&H	1,57 billion $, May 2009

Source. *Regional Economic Outlook*, IMF, May 2010, p17-18

Table 3. Latest financial arrangements of B&H and IMF

Facility	Date of arrangement	Date of expiration	Amount agreed (mil SDR)	Amount drawn (mil SDR)
SBA	8 July2009	30 June 2012	1.014,60	304,38
SBA	2 August 2002	29 February 2004	67,60	67,60
SBA	29 May 1998	29 May 2001	94,42	94,42

Source. IMF, Bosnia and Herzegovina. Financial Position in the Fund as of May 31, 2010

In order to support global economic stability, the activities of IMF come under the magnifying glass, in terms of possibilities to meet the challenges which global economic crisis had set for the majority of its members. In collaboration with other international institutions the Fund identified the core macroeconomic and financial policies needed to help minimize the costs of the crisis. In the first half of 2008, the Fund's energies in regard to crisis response were directed particularly toward low-income countries, dealing with the effects of the food and fuel price shocks. Emphasis then shifted to the global crisis in financial markets as it escalated late in 2008, with record levels of Fund lending approved in FY2009.[24] That drew a question whether the organization has sufficient financial resources for the growing needs of members. At their summit in London on April 2009, the G-20 leaders decided to triple Fund's capacity to $750 billion,[25] which provided additional liquidity to the global economy.

[23] IMF Crisis Lending, March 11, 2010
[24] IMF Annual Report of the Executive Board for the Financial Year Ended April 30, Chapter 3, Restoring Global Financial Stability
[25] "G-20 Reaffirms IMF's Central Role in Combating Crisis" , www.imf.org

Foreign trade exchange, overview, January-June 2010
(author: Mirela Kadić)

Foreign trade exchange overview in period January-June of the current year represents a continuation of analysis previously issued in the Unit's bulletin. For the past five years we have been following basic trade indicators trends after VAT implementation on the fiscal ground of Bosnia and Herzegovina, and also after signing and going into effect Stabilization and Association Agreement. In this issue of the bulletin we will focus on the consequences of the global economic trends, more exactly recession period, that had direct or indirect influence on both, major economic forces and also on small and opened economies as the economy of our country is.

Main trends in foreign trade exchange

Chart 1 represents import, export and deficit dynamics as of 2003, whereas January 2003 represents the base. As we can see on the chart second halfyear of 2008 brings significant decrease of all the parameters that continues in 2009. Beggining of 2010 brings a certain improvement, but mostly on the export side.

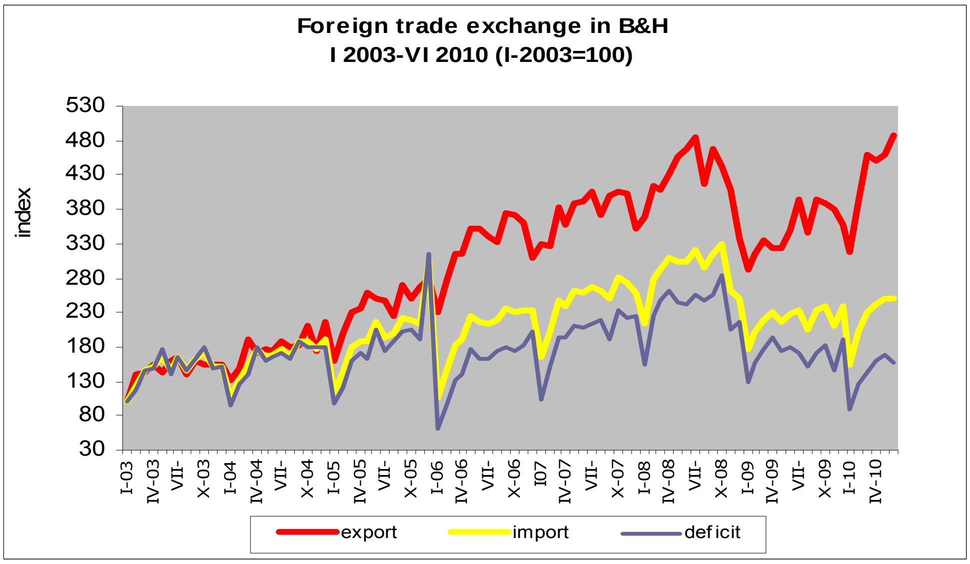


Chart 1

In the first six months of the 2010 compared to the same period previous year volume of the trade has gone up for 12,78%, export increased for even 32,23%, and import only for 4,45%. Deficit decreased for 16,39%, while coverage of the import by export increased for 26,6% compared to the last year coverage and now amounts 54,26%.

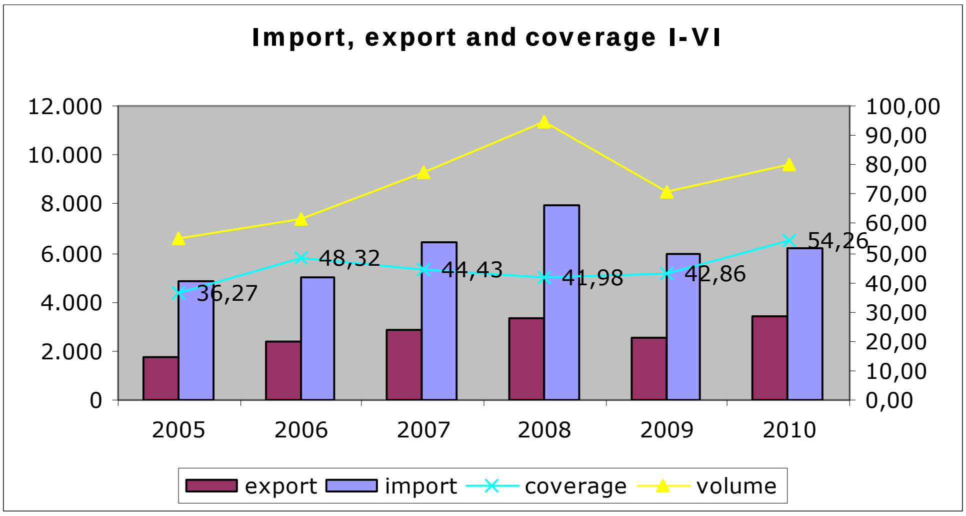
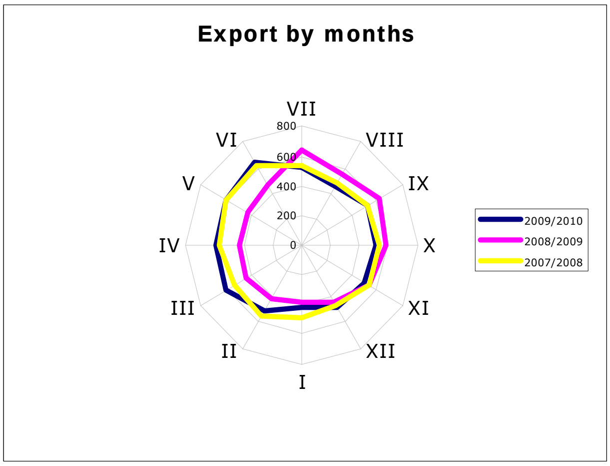


Chart 2

As we can see on the chart 2 value of the export has gone back to, and even exceeded, the same values in 2008, that is the value from pre-crisis year, while import for the first six months in 2010 is on the level of the first six months in 2007.



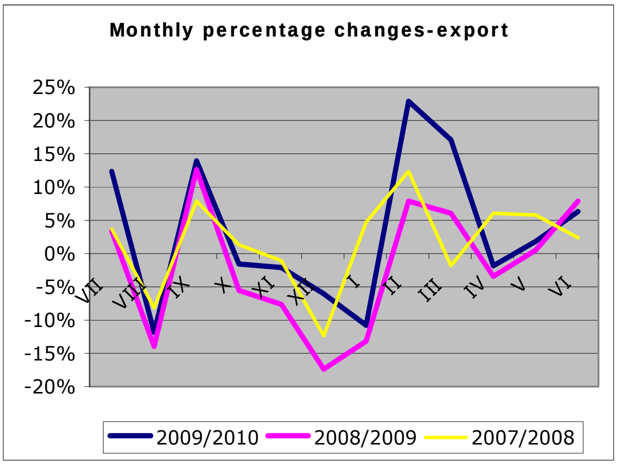
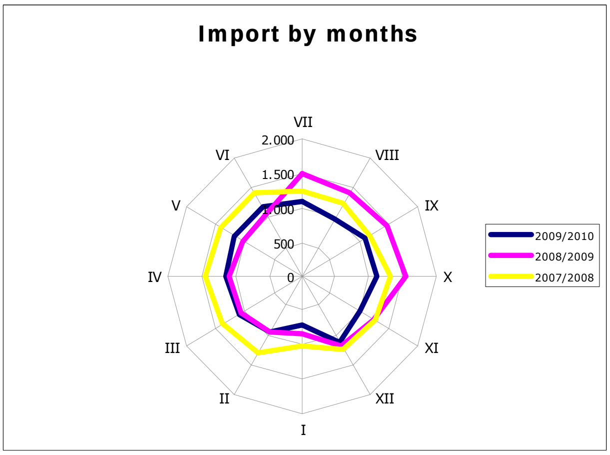


Chart 3

Chart 4

Chart 3 represents import values per months in the past three years. Area outlined with the pink line is the smallest one and represents export in second half year of 2008 and in first half year 2009. Maximum surface in 3rd and 4th quadrant, i.e.quadrants showing us the values in first six months in the previous three years, has been taken by the area representing 2010.



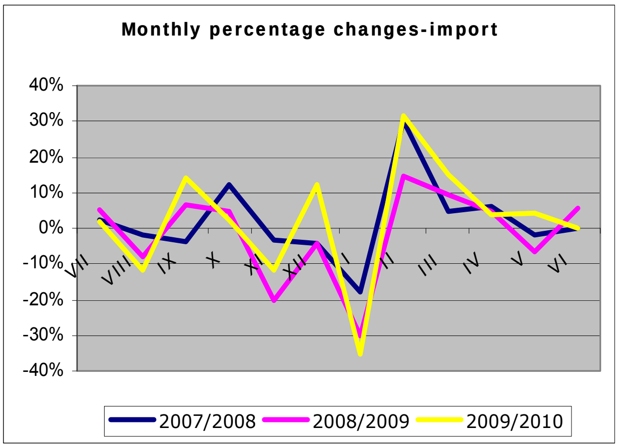


Chart 5

Chart 6

With the help of the chain index, on the chart 6 are shown monthly percentage changes. All three curves have their seasonal dynamics pattern. But, sharper decline from the usual has been recorded at the beggining of both 2009 and 2010.

Foreign trade structure

The most significant increase in the first six months of this year has been realized within the group 'mineral products' (61,38%) and 'base metal and products' (60,94%). This development is due to the increasingly important export of the 'Brod' refinery, continuous growth of the electricity export, and return of the base metal prices to their pre-crisis value.

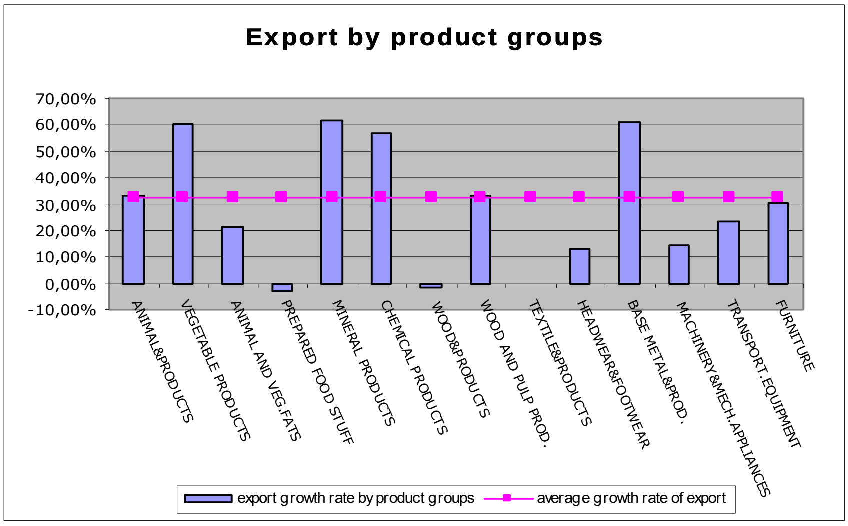


Chart 7

It is important to note increase in export of the subgroup 'furniture' whose share in total export now is almost 10%.
Althought in total export they represent fairly small proportion, group of food products are recording stable and very high rate of export growth. 'animals and animal 32,98% and 'vegetable

products' 60,12%. Consequently, as shown in table 1, coverage of import of the products mentioned has gone up as well. From the food production point of view, as a strategic-political good and as priority task of any country to provide its overall population with sufficient quantities and quality of food, one can not talk about any level of self-sufficiency.

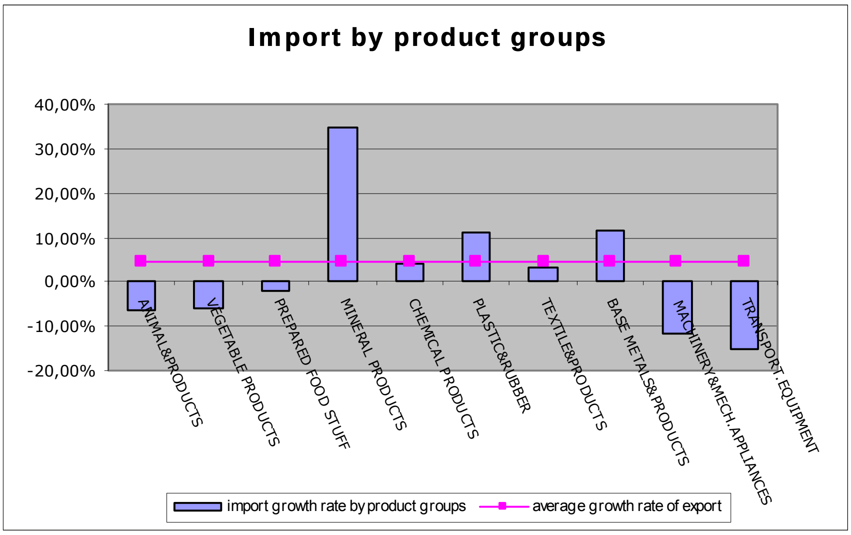


Chart 8

On the other hand, import growth higher than the average has been recorded only within few groups. 'mineral products' (34,72%), 'base metals and products' (11,56%) and 'plastic and rubber' (11%). As shown in the chart 8, all the other groups have recorded lower growth rate than the average, i.e. decrease. Of the groups declined more significant, one to be worried about is decline in import of capital goods ('machinery and mechanical appliances' 11,77% i 'transportation equipment' 14,98%).

PRODUCT GROUPS (HSC)[26]	EXPORT I-VI		IMPORT I-VI		COVERAGE		
	2010/ 2009	Share in 2010	2010/ 2009	Share in 2010	I-VI 2010	I-VI 2009	I-VI 2009
TOTAL	32,23%	100%	4,45%	100%	54,26%	42,86%	41,98%
ANIMAL&RODUCTS	32,98%	1,6%	-6,61%	2,74%	31,64%	22,23%	18,23%
VEG.PRODUCTS	60,12%	1,4%	-5,95%	4,33%	17,54%	10,30%	6,61%
PREPARED FOOD STUFF	-3,01%	3,18%	-1,91%	10,39%	16,63%	16,82%	14,73%
MINERAL PRODUCTS	61,38%	18,38%	34,72%	19,77%	50,44%	42,11%	26,84%
CHEMICAL PRODUCTS	56,83%	6,69%	3,90%	10,48%	34,65%	22,96%	30,78%
PLASTIC&UBBER	5,06%	1,75%	11,00%	5,19%	18,31%	19,35%	18,86%
WOOD&RODUCTS	-1,43%	5,48%	-3,39%	1,09%	272,32%	266,91%	257,09%
WOOD&PULP PRODUCTS	33,32%	2,66%	2,85%	2,79%	51,83%	39,99%	37,06%
TEXTILE&TEXTILE ARTICLES	0,08%	4,6%	3,31%	5,29%	47,16%	48,69%	46,78%
FOOTWEAR, HEADWEAR	12,99%	5,87%	-2,21%	1,71%	186,84%	161,70%	163,84%
BASE METALS&PRODUCTS	60,94%	22,72%	11,56%	9,03%	136,52%	94,63%	92,82%
MACHINERY,MECH.APPLIANCES	14,36%	9,9%	-11,77%	12,63%	42,52%	32,80%	32,99%
TRANSPORT.EQUIPMENT	23,06%	2,23%	-14,98%	5,61%	21,58%	14,91%	11,51%
FURNITURE	30,10%	9,62%	-8,77%	1,41%	370,92%	260,08%	230,44%
OTHER	8,18%	3,91%	9,10%	7,55%	28,08%	28,32%	29,09%

Table 1

[26] Harmonised system of codes of the World trade organisation

Instead of the conclusion

In the period January-June 2010 compared to the same period previous year following trends in foreign trade exchange of Bosnia and Herzegovina with abroad have been recorded.

- **Export increased for 32,23%**
- **Import increased for 4,45%**
- **Trade volume increased for 12,78%**
- **Deficit decreased for 16,39%**
- **Coverage of imports by exports for the period mentioned is 54,26%**

Consolidated reports

(authors: Aleksandra Regoje and Mirela Kadić)

Table 1. (Preliminary consolidated report for B&H)

1. The consolidated report includes.
   - revenues and expenditures of the budget of Bosnia and Herzegovina
   - revenues and expenditures of the budget of FBiH, cantons, municipalities and funds in FBiH
   - revenues and expenditures of the budget of the RS, municipalities and funds in RS
   - revenues and expenditures of the budget of BD and funds in BD.

Table 2. (Consolidated report: B&H institutions, entities, SA)

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 and expenditures of the institutions of Bosnia and Herzegovina,
   - revenues and expenditures of the budget of the Federation of Bosnia and Herzegovina,
   - revenues and expenditures of the budget of the Republika Srpska.

Table 3.1.-3.6. (Consolidated report: Cantons)

1. The consolidated report includes.
   - revenues and expenditures of the cantonal budgets,
   - revenues and expenditures of the budgets of related municipalities
2. Net financing = loans received – repayment of debt

Preliminary consolidated report for BiH, I-VI 2010

	Q1	Q2	Total
Revenues	**2.307,80**	**2.694,65**	**5.002,5**
Tax revenues	1.184,37	1.416,36	2.600,7
Indirect taxes	981,26	1.176,90	2.158,2
Direct taxes	203,11	239,46	442,6
Profit tax revenues	77,61	107,85	185,5
Income tax revenues	93,93	105,12	199,1
Other direct taxes	31,58	26,49	58,1
Contributions	853,25	932,81	1.786,1
Non-tax revenues	261,28	336,26	597,5
Grants	8,89	9,21	18,1
Expenditures	**2.477,61**	**2.760,84**	**5.238,5**
Wages and compensations	745,35	794,93	1.540,3
Purchases of goods and services	529,84	590,92	1.120,8
Subsidies and transfers	921,82	994,74	1.916,6
Interests	22,49	38,79	61,3
Interests on foreign debt	15,44	32,53	48,0
Interests on domestic debt	7,05	6,25	13,3
Other current expenditures	130,69	243,67	374,4
Capital expenditures	75,56	81,97	157,5
Other expenditures	58,44	30,80	89,2
Net lending and capital gains	-6,57	-14,97	-21,5
Balance	**-169,81**	**-66,20**	**-236,0**
Financing	**169,81**	**66,20**	**236,0**

Table 1.

B&H institutions, entities and SA, I-VI 2010

	I	II	III	IV	V	VI	Total
Revenues	**397,27**	**376,69**	**432,13**	**536,34**	**450,69**	**467,27**	**2.660,38**
Taxes	366,66	344,7	391,22	446,35	420,88	432,5	2.402,31
Indirect taxes	349,58	325,06	351,17	378	399,91	409,99	2.213,72
VAT	203,17	206,85	223,46	232,17	252,92	255,8	1.374,37
VAT on imports	104,71	150,93	175,26	182,11	187,14	195,51	995,66
VAT from VAT returns	145,92	114,51	97,28	108,08	122,81	106,91	695,5
VAT from automatic assessment done by ITA	0,02	0	0	-0,01	0,05	0,02	0,09
One-off VAT payments	0,24	0,2	0,04	0,04	0,21	0,35	1,08
Other	2,11	2,38	1,88	2,49	2,28	1,89	13,04
VAT refunds	-49,83	-61,17	-51	-60,55	-59,57	-48,88	-330,99
Custom duties	16,6	22,16	26,57	24,68	24,94	26,09	141,04
Sales tax	0	0	0	0	0,01	0	0,02
Excises	106,54	76,03	77,99	95,23	95,16	102,9	553,85
on imports	65,23	52,46	54,87	61,64	57,64	61,7	353,54
on dosmestic poduction	41,31	23,57	23,13	33,6	37,51	41,2	200,32
Railroad tax	22,98	19,17	22,29	25,62	26,63	24,41	141,09
Other	1,06	1,19	1,75	1,46	1,33	1,45	8,24
Other refunds	-0,77	-0,35	-0,88	-1,16	-1,08	-0,67	-4,89
Direct taxes	17,08	19,64	40,05	68,35	20,97	22,51	188,59
Profit tax revenues	9,35	10,81	29,18	57,57	11,75	12,06	130,72
Income tax revenues	7,1	8,1	9,89	9,8	8,31	9,5	52,7
Other direct taxes	0,63	0,73	0,98	0,98	0,91	0,94	5,16
Contributions	0	0	0	0	0	0	0
Non-tax revenues	28,47	30,05	39,89	89,83	27,83	34,43	250,52
Grants	2,14	1,93	1,01	0,16	1,98	0,34	7,56
Expenditures	**443,83**	**360,88**	**521,79**	**473,26**	**467,65**	**577,31**	**2.844,72**
Wages and compensations	106,66	109,03	120,73	119,06	119,19	157,89	732,55
Purchases of goods and services	11,03	15,25	29,03	21,94	28,74	38,87	144,86
Subsidies and transfers	98,4	89,93	162	118,15	94,65	132,32	695,46
Interests (domestic and foreign)	2,47	3,67	10,97	5,16	8,97	18,34	49,58
Interests on foreign debt	2,47	3,57	9,09	5,14	8,97	17,84	47,08
Interest on domestic debt	0	0,1	1,88	0,02	0	0,5	2,5
Other current expenditure	8,28	14,38	26,25	38,67	41,32	46,32	175,22
Capital expenditures	12,14	12,27	17,32	5,13	6,35	17,33	70,56
Other expenditures	58,29	7,4	-27,16	10,11	9,33	13,52	71,5
SA transfers	146,76	109,34	185,74	155,61	164,4	155,53	917,37
o/w: FBiH/cantons, municipalities, Road Fund	104,84	77,11	150,31	120,5	124,96	118,19	695,92
o/w: RS/cities, municipalities, Road Fund	31,11	22,93	25,42	23,76	27,31	24,99	155,53
o/w: Brčko	10,81	9,3	10	11,34	12,13	12,35	65,93
Net lending and capital gains	-0,2	-0,4	-3,1	-0,56	-5,3	-2,81	-12,38
Overall balance	**-46,56**	**15,81**	**-89,67**	**63,08**	**-16,96**	**-110,04**	**-184,34**
Financing	**46,56**	**-15,81**	**89,67**	**-63,08**	**16,96**	**110,04**	**184,34**

Table 2.

Bosnia-Podrinje Canton, I-VI, 2010

		I	II	III	IV	V	VI	Q1	Q2	I-VI 2010	I-VI 2009
1	**Revenues** (11+12+13+14)	**2.789.712**	**2.491.593**	**2.466.264**	**3.007.294**	**3.150.936**	**3.163.416**	**7.747.570**	**9.321.646**	**17.069.216**	**16.794.349**
11	**Tax revenues**	**2.354.969**	**2.109.402**	**2.141.597**	**2.610.781**	**2.561.312**	**2.425.677**	**6.605.968**	**7.597.771**	**14.203.739**	**13.116.660**
	Income and profit tax	189.327	221.999	226.167	355.422	222.765	224.253	637.493	802.441	1.439.934	1.508.322
	Property tax	20.780	44.620	14.972	21.305	19.880	8.650	80.371	49.835	130.206	123.740
	Indirect taxes	2.144.691	1.842.553	1.900.165	2.233.829	2.318.483	2.192.382	5.887.409	6.744.694	12.632.103	11.480.666
	Other taxes	171	230	294	225	185	392	695	801	1.496	3.932
12	**Nontax revenues**	**325.862**	**285.449**	**235.582**	**273.662**	**509.130**	**409.632**	**846.893**	**1.192.424**	**2.039.317**	**2.098.295**
13	**Grants**	**95.845**	**93.354**	**84.982**	**119.458**	**72.792**	**324.457**	**274.181**	**516.707**	**790.888**	**1.556.667**
14	**Other revenues**	**13.036**	**3.388**	**4.103**	**3.393**	**7.702**	**3.650**	**20.527**	**14.745**	**35.272**	**22.727**
2	**Expenditures** (21+22)	**2.746.925**	**3.248.773**	**2.938.706**	**2.932.537**	**3.495.079**	**2.791.299**	**8.934.404**	**9.218.914**	**18.153.318**	**19.336.937**
21	**Current expenditures**	**2.746.925**	**3.248.948**	**2.938.881**	**2.932.712**	**3.495.254**	**2.791.474**	**8.934.754**	**9.219.439**	**18.154.193**	**19.339.449**
	Gross wages and compensations	1.766.073	1.821.355	1.860.522	1.834.799	1.801.082	1.805.575	5.447.950	5.441.456	10.889.405	11.035.146
	Purchases of goods and services	431.172	363.368	431.632	261.796	325.632	267.884	1.226.171	855.312	2.081.483	2.209.868
	Grants	497.920	1.063.364	645.833	835.367	1.367.675	717.257	2.207.117	2.920.299	5.127.416	6.024.350
	Interests payments	51.559	862	806	749	865	758	53.227	2.372	55.599	70.085
	Other expenditures	200	0	89	0	0	0	289	0	289	0
22	**Net lending***	0	-175	-175	-175	-175	-175	-350	-525	-875	-2.512
3	**Net acquisition of nonfinancial assets**	**47.007**	**30.182**	**118.454**	**22.606**	**60.473**	**264.558**	**195.643**	**347.637**	**543.279**	**637.920**
4	**Gov. surplus/deficit** (1-2-3)	**-4.219**	**-787.363**	**-590.895**	**52.152**	**-404.615**	**107.559**	**-1.382.477**	**-244.905**	**-1.627.382**	**-3.180.508**
5	**Net financing****	**-154.063**	**-14.020**	**-15.213**	**-14.630**	**-17.359**	**-16.464**	**-183.297**	**-48.453**	**-231.750**	**-239.043**

Table 3.1.

Posavina Canton, I-VI, 2010

		I	II	III	IV	V	VI	Q1	Q2	I-VI 2010	I-VI 2009
1	**Revenues** (11+12+13+14)	**2.728.716**	**2.362.270**	**2.792.890**	**2.951.952**	**2.473.838**	**2.816.927**	**7.883.877**	**8.242.717**	**16.126.593**	**17.295.698**
11	**Tax revenues**	**2.179.459**	**1.926.371**	**2.067.830**	**2.392.316**	**2.185.592**	**2.000.917**	**6.173.660**	**6.578.825**	**12.752.484**	**12.570.104**
	Income and profit tax	240.531	357.081	506.180	469.451	349.848	251.933	1.103.792	1.071.232	2.175.025	1.988.226
	Property tax	33.683	61.587	29.473	141.498	24.968	32.729	124.743	199.195	323.937	229.203
	Indirect taxes	1.902.481	1.503.858	1.526.948	1.777.810	1.809.974	1.712.757	4.933.287	5.300.541	10.233.828	10.290.062
	Other taxes	2.764	3.846	5.228	3.556	803	3.498	11.838	7.857	19.694	62.613
12	**Nontax revenues**	**529.791**	**435.899**	**635.281**	**537.086**	**263.962**	**343.777**	**1.600.971**	**1.144.825**	**2.745.796**	**2.729.932**
13	**Grants**	**19.466**	**0**	**89.780**	**22.550**	**24.284**	**22.056**	**109.246**	**68.889**	**178.135**	**1.995.662**
14	**Other revenues**	**0**	**0**	**0**	**0**	**0**	**450.178**	**0**	**450.178**	**450.178**	
2	**Expenditures** (21+22)	**2.516.231**	**2.779.804**	**3.342.726**	**2.713.131**	**2.821.719**	**2.883.905**	**8.638.762**	**8.418.755**	**17.057.517**	**17.287.747**
21	**Current expenditures**	**2.526.231**	**2.779.804**	**3.342.726**	**2.713.131**	**2.821.719**	**2.883.905**	**8.648.762**	**8.418.755**	**17.067.517**	**17.291.247**
	Gross wages and compensations	1.591.081	1.639.424	1.667.987	1.658.966	1.623.372	1.608.531	4.898.492	4.890.869	9.789.361	10.343.816
	Purchases of goods and services	729.984	590.912	626.650	462.840	553.147	456.466	1.947.547	1.472.453	3.420.000	3.783.001
	Grants	191.151	548.949	1.045.455	590.294	644.163	803.853	1.785.555	2.038.310	3.823.865	3.144.086
	Interests payments	14.015	519	2.635	1.032	1.037	15.055	17.169	17.124	34.292	20.344
	Other expenditures	0	0	0	0	0	0	0	0	0	0
22	**Net lending***	-10.000	0	0	0	0	0	-10.000	0	-10.000	-3.500
3	**Net acquisition of nonfinancial assets**	**143.463**	**15.575**	**149.601**	**326.078**	**204.549**	**208.713**	**308.639**	**739.340**	**1.047.979**	**1.395.774**
4	**Gov. surplus/deficit** (1-2-3)	**69.022**	**-433.109**	**-699.437**	**-87.257**	**-552.430**	**-275.691**	**-1.063.524**	**-915.379**	**-1.978.903**	**-1.387.823**
5	**Net financing****	**-38.284**	**0**	**0**	**0**	**0**	**-33.205**	**-38.284**	**-33.205**	**-71.489**	**0**

Table 3.2.

Sarajevo Canton, I-V, 2010

		I	II	III	IV	V	VI	Q1	Q2	I-VI 2010	I-VI 2009
1	**Revenues** (11+12+13+14)	**54.317.148**	**52.550.715**	**57.720.585**	**69.634.460**	**58.026.539**	**46.321.978**	**164.588.448**	**173.982.978**	**338.571.426**	**349.454.684**
11	**Tax revenues**	**44.245.090**	**41.306.346**	**44.676.053**	**51.198.349**	**46.975.036**	**42.063.207**	**130.227.489**	**140.236.592**	**270.464.081**	**277.826.586**
	Income and profit tax	10.594.976	10.108.612	13.851.682	15.851.346	10.496.101	10.130.845	34.555.271	36.478.292	71.033.562	74.424.764
	Property tax	2.224.259	4.556.217	3.030.127	2.429.503	2.121.028	497.480	9.810.604	5.048.010	14.858.614	21.481.137
	Indirect taxes	31.353.728	26.559.734	27.707.376	32.729.767	34.293.856	31.427.912	85.620.838	98.451.535	184.072.373	180.725.649
	Other taxes	72.127	81.783	86.868	187.734	64.051	6.969	240.777	258.755	499.532	1.195.036
12	**Nontax revenues**	**9.072.392**	**10.091.903**	**11.490.828**	**15.993.251**	**9.627.217**	**3.290.727**	**30.655.124**	**28.911.194**	**59.566.318**	**57.910.183**
13	**Grants**	**999.666**	**862.641**	**974.053**	**2.134.310**	**1.424.287**	**968.045**	**2.836.360**	**4.526.642**	**7.363.002**	**12.163.165**
14	**Other revenues**	**0**	**289.825**	**579.650**	**308.550**	**0**	**0**	**869.475**	**308.550**	**1.178.025**	**1.554.750**
2	**Expenditures** (21+22)	**48.722.900**	**52.992.432**	**57.093.023**	**61.494.444**	**63.136.592**	**49.964.904**	**158.808.355**	**174.595.940**	**333.404.296**	**344.649.774**
21	**Current expenditures**	**48.822.455**	**53.054.130**	**57.169.905**	**61.392.706**	**62.729.000**	**50.065.493**	**159.046.491**	**174.187.199**	**333.233.690**	**345.520.915**
	Gross wages and compensations	22.960.317	23.471.521	23.860.303	24.180.848	23.978.248	20.272.551	70.292.141	68.431.647	138.723.788	148.910.706
	Purchases of goods and services	3.289.167	6.012.171	6.011.037	6.493.410	5.976.393	4.154.995	15.312.374	16.624.798	31.937.173	31.765.441
	Grants	22.541.471	23.568.486	27.247.373	30.706.906	32.713.653	25.220.965	73.357.329	88.641.523	161.998.852	164.612.746
	Interests payments	31.501	1.953	51.193	11.542	60.706	416.983	84.647	489.231	573.878	232.022
	Other expenditures	0	0	0	0	0	0	0	0	0	0
22	**Net lending***	-99.555	-61.698	-76.882	101.738	407.592	-100.589	-238.135	408.741	170.606	-871.141
3	**Net acquisition of nonfinancial assets**	**60.521**	**209.765**	**572.111**	**2.944.809**	**1.523.319**	**-386.394**	**842.397**	**4.081.734**	**4.924.131**	**13.844.568**
4	**Gov. surplus/deficit** (1-2-3)	**5.533.728**	**-651.483**	**55.450**	**5.195.207**	**-6.633.371**	**-3.256.533**	**4.937.695**	**-4.694.697**	**242.998**	**-9.039.658**
5	**Net financing****	**-91.026**	**-9.722**	**-276.674**	**-9.722**	**-99.566**	**0**	**-377.423**	**-109.288**	**-486.711**	**-545.955**

Table 3.3.

Central Bosnia Canton, I-V, 2010

		I	II	III	IV	V	Q1	Q2	I-V 2010	I-V 2009
1	**Revenues** (11+12+13+14)	**15.023.545**	**13.518.837**	**14.271.054**	**16.164.385**	**16.578.875**	**42.813.436**	**32.743.260**	**75.556.696**	**78.494.284**
11	**Tax revenues**	**12.536.490**	**11.209.102**	**11.627.750**	**13.567.599**	**14.021.461**	**35.373.342**	**27.589.061**	**62.962.403**	**57.770.128**
	Income and profit tax	1.711.595	1.699.951	1.867.334	2.181.390	2.386.141	5.278.879	4.567.530	9.846.410	8.610.683
	Property tax	338.414	496.048	375.361	391.431	347.783	1.209.822	739.214	1.949.036	2.163.214
	Indirect taxes	10.476.726	8.996.477	9.376.777	10.984.819	11.279.906	28.849.980	22.264.725	51.114.705	46.937.220
	Other taxes	9.755	16.627	8.278	9.960	7.632	34.660	17.592	52.252	59.011
12	**Nontax revenues**	**2.315.995**	**2.116.970**	**2.445.591**	**2.310.139**	**2.256.562**	**6.878.556**	**4.566.701**	**11.445.257**	**10.623.626**
13	**Grants**	**171.060**	**187.765**	**197.713**	**286.647**	**300.852**	**556.538**	**587.499**	**1.144.037**	**10.094.560**
14	**Other revenues**	**0**	**5.000**	**0**	**0**	**0**	**5.000**	**0**	**5.000**	**5.970**
2	**Expenditures** (21+22)	**12.723.697**	**13.776.924**	**15.845.223**	**14.755.624**	**14.197.798**	**42.345.844**	**28.953.422**	**71.299.266**	**69.947.097**
21	**Current expenditures**	**12.723.697**	**13.776.924**	**15.861.555**	**14.755.624**	**14.197.798**	**42.362.176**	**28.953.422**	**71.315.598**	**69.947.097**
	Gross wages and compensations	8.717.393	9.072.322	10.171.382	9.207.833	9.018.111	27.961.096	18.225.944	46.187.040	45.583.706
	Purchases of goods and services	2.063.634	1.949.141	1.864.729	1.798.330	1.429.058	5.877.504	3.227.387	9.104.892	7.933.556
	Grants	1.877.196	2.669.265	3.712.525	3.648.934	3.605.151	8.258.987	7.254.085	15.513.072	15.928.508
	Interests payments	12.063	12.586	33.516	22.668	62.770	58.165	85.437	143.603	93.865
	Other expenditures	53.411	73.609	79.403	77.860	82.709	206.423	160.569	366.992	407.462
22	**Net lending***	0	0	-16.332	0	0	-16.332	0	-16.332	0
3	**Net acquisition of nonfinancial assets**	**-29.165**	**81.593**	**83.466**	**526.494**	**280.226**	**135.894**	**806.719**	**942.613**	**1.563.062**
4	**Gov. surplus/deficit** (1-2-3)	**2.329.013**	**-339.680**	**-1.657.635**	**882.268**	**2.100.851**	**331.698**	**2.983.119**	**3.314.817**	**6.984.125**
5	**Net financing****	**-24.152**	**50.026**	**-22.443**	**298.733**	**4.090.903**	**3.430**	**4.389.636**	**4.393.066**	**-82.996**

Table 3.4.

Zenica-Doboj Canton, I-V, 2010

		I	II	III	IV	V	Q1	Q2	I-V 2010	I-V 2009
1	**Revenues** (11+12+13+14)	**25.033.261**	**20.595.980**	**22.857.811**	**25.622.965**	**25.937.886**	**68.487.053**	**51.560.852**	**120.047.905**	**120.984.744**
11	**Tax revenues**	**20.727.756**	**16.714.484**	**18.618.934**	**21.396.187**	**21.964.079**	**56.061.174**	**43.360.266**	**99.421.440**	**99.168.099**
	Income and profit tax	3.913.474	2.328.649	3.387.539	3.785.420	3.741.864	9.629.662	7.527.284	17.156.947	22.247.450
	Property tax	421.861	359.758	447.126	644.236	500.636	1.228.745	1.144.872	2.373.617	3.795.335
	Indirect taxes	16.357.041	14.012.926	14.780.384	16.959.902	17.495.536	45.150.351	34.455.438	79.605.790	73.026.730
	Other taxes	35.380	13.151	3.885	6.629	226.042	52.416	232.671	285.087	98.584
12	**Nontax revenues**	**3.913.739**	**3.652.546**	**4.141.169**	**3.469.262**	**3.883.612**	**11.707.454**	**7.352.873**	**19.060.328**	**18.038.029**
13	**Grants**	**391.766**	**228.950**	**97.709**	**757.517**	**90.196**	**718.425**	**847.712**	**1.566.137**	**3.755.892**
14	**Other revenues**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**22.724**
2	**Expenditures** (21+22)	**19.733.437**	**24.682.767**	**26.190.435**	**24.312.986**	**26.562.299**	**70.606.639**	**50.875.285**	**121.481.924**	**129.898.262**
21	**Current expenditures**	**19.733.437**	**24.682.767**	**26.190.435**	**24.312.986**	**26.562.299**	**70.606.639**	**50.875.285**	**121.481.924**	**129.895.062**
	Gross wages and compensations	13.293.411	13.967.153	14.851.148	13.768.551	14.019.974	42.111.712	27.788.525	69.900.237	73.412.629
	Purchases of goods and services	3.183.167	4.531.133	5.469.972	4.462.097	3.687.609	13.184.272	8.149.706	21.333.979	20.696.238
	Grants	3.177.737	6.041.915	5.563.609	6.002.510	8.706.761	14.783.261	14.709.272	29.492.533	34.794.517
	Interests payments	66.113	6.773	6.263	6.764	6.761	79.149	13.525	92.675	90.875
	Other expenditures	13.008	135.792	299.444	73.063	141.193	448.244	214.257	662.500	900.803
22	**Net lending***	0	0	0	0	0	0	0	0	3.200
3	**Net acquisition of nonfinancial assets**	**909.397**	**612.170**	**518.772**	**934.236**	**1.140.217**	**2.040.339**	**2.074.453**	**4.114.792**	**7.084.517**
4	**Gov. surplus/deficit** (1-2-3)	**4.390.427**	**-4.698.956**	**-3.851.395**	**375.743**	**-1.764.629**	**-4.159.925**	**-1.388.886**	**-5.548.811**	**-15.998.035**
5	**Net financing****	**-123.127**	**-4.397**	**-30.000**	**-27.034**	**-20.534**	**-157.524**	**-47.568**	**-205.092**	**-140.051**

Table 3.5.

West Herzegovina Canton, I-VI, 2010

		I	II	III	IV	V	VI	Q1	Q2	I-VI 2010	I-VI 2009
1	**Revenues** (11+12+13+14)	**6.131.904**	**5.736.966**	**7.935.977**	**7.859.545**	**6.874.737**	**6.537.241**	**19.804.847**	**21.271.522**	**41.076.369**	**42.552.545**
11	**Tax revenues**	**5.219.291**	**4.654.636**	**6.430.852**	**6.691.064**	**5.862.013**	**5.270.642**	**16.304.779**	**17.823.719**	**34.128.498**	**32.625.454**
	Income and profit tax	928.665	871.005	2.166.438	2.163.504	1.219.437	1.260.081	3.966.108	4.643.022	8.609.130	8.524.331
	Property tax	176.681	225.885	191.383	95.005	123.834	63.577	593.950	282.416	876.365	1.298.637
	Indirect taxes	4.002.605	3.432.952	3.611.984	4.183.560	4.410.521	3.868.563	11.047.542	12.462.644	23.510.186	22.082.543
	Other taxes	111.340	124.793	461.046	248.995	108.221	78.421	697.180	435.637	1.132.817	719.943
12	**Nontax revenues**	**882.840**	**1.064.335**	**1.445.802**	**1.096.838**	**940.772**	**1.175.166**	**3.392.977**	**3.212.776**	**6.605.753**	**7.451.104**
13	**Grants**	**29.773**	**17.995**	**33.412**	**71.643**	**71.952**	**91.432**	**81.179**	**235.028**	**316.206**	**2.396.295**
14	**Other revenues**	**0**	**0**	**25.912**	**0**	**0**	**0**	**25.912**	**0**	**25.912**	**79.692**
2	**Expenditures** (21+22)	**6.238.830**	**8.672.309**	**8.475.701**	**6.689.862**	**6.743.277**	**7.523.620**	**23.386.840**	**20.956.758**	**44.343.598**	**47.624.693**
21	**Current expenditures**	**6.238.830**	**8.672.309**	**8.475.701**	**6.689.862**	**6.743.277**	**7.523.620**	**23.386.840**	**20.956.758**	**44.343.598**	**47.521.035**
	Gross wages and compensations	4.084.986	3.962.237	4.139.395	3.995.317	3.980.984	3.976.202	12.186.618	11.952.502	24.139.120	24.297.357
	Purchases of goods and services	921.914	858.308	967.591	580.961	761.927	861.626	2.747.812	2.204.514	4.952.326	6.422.266
	Grants	974.394	3.576.546	3.036.123	1.783.494	1.755.508	2.241.510	7.587.063	5.780.511	13.367.574	14.923.632
	Interests payments	55.094	56.811	58.058	118.266	92.166	180.066	169.962	390.497	560.460	271.604
	Other expenditures	202.443	218.407	274.534	211.825	152.691	264.217	695.384	628.733	1.324.117	1.606.176
22	**Net lending***	0	0	0	0	0	0	0	0	0	103.658
3	**Net acquisition of nonfinancial assets**	**31.008**	**192.662**	**400.947**	**-52.993**	**681.126**	**98.862**	**624.617**	**726.996**	**1.351.613**	**1.665.358**
4	**Gov. surplus/deficit** (1-2-3)	**-137.935**	**-3.128.004**	**-940.671**	**1.222.675**	**-549.666**	**-1.085.241**	**-4.206.610**	**-412.232**	**-4.618.842**	**-6.737.506**
5	**Net financing****	**-97.136**	**-151.738**	**3.526.078**	**-1.455.840**	**5.184.961**	**-624.071**	**3.277.203**	**3.105.050**	**6.382.253**	**2.022.355**

Table 3.6.