

International Monetary Fund

[Bosnia and Herzegovina](#) and the IMF

Bosnia and Herzegovina: Letter of Intent, and Technical Memorandum of Understanding

Press Release:

[IMF Executive Board Completes First Review of EFF Arrangement with Bosnia and Herzegovina and Concludes 2017 Article IV Consultation](#)

February 9, 2018

January 29, 2018

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Supplementary Letter of Intent

Sarajevo and Banja Luka, Bosnia and Herzegovina

January 29, 2018

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

Dear Ms. Lagarde:

1. The extended arrangement under the Extended Fund Facility (EFF) for Bosnia and Herzegovina (BiH), approved in September 2016 by the Executive Board of the International Monetary Fund (IMF), is an important anchor for our economic policies. We remain committed to implementing the policies described in our Letter of Intent dated July 31, 2016. The key objectives of our economic program are to: (i) improve the business environment to create private sector jobs and raise growth potential; (ii) ensure fiscal sustainability and improve the quality of government spending; and (iii) safeguard financial stability and revive bank lending. An important cross-cutting theme in the program are measures that strengthen the single economic space of BiH, in accordance with the constitutional setup and competencies of respective institutions. This Supplementary Letter of Intent provides information on our efforts and achievements since the approval of the arrangement, as well as on the additional policy measures we plan to undertake in 2018 to help ensure that the objectives of the program continue to be met.

2. The BiH authorities will consult with the IMF, at our own initiative or whenever the Managing Director of the IMF requests such a consultation, on the adoption of these measures and in advance of any revisions to the policies contained in our Letters of Intent (the one dated July 31, 2016 and this one), in accordance with the IMF's policies on such consultations.

3. The economic recovery gained momentum in 2016 with growth picking up to over 3 percent. Real GDP growth is estimated to be 2.7 percent in 2017. Execution of public infrastructure projects has been delayed, but we expect it to commence in 2018. Thus, we expect a pickup in growth starting in 2018, as implementation of structural reforms combines with heavy infrastructure investments. Of course, adverse shocks in Europe could pose uncertainties to the outlook. Following an average drop of consumer price level by 1.1 percent in 2016, we expect inflation to turn positive in 2017--with the continued recovery of domestic demand and pick up in global commodity prices--but to remain low, reflecting low Euro Area inflation forecast, imported through the currency board arrangement (CBA). The external current account deficit is projected to increase slightly to 5.2 percent in 2017 compared to 5.1 percent in 2016, and is

projected to further increase to about 6 percent at the time of end of the arrangement, reflecting higher public investment. The unemployment rate remains high, particularly among the youth.

Program Implementation

4. We have made good progress in implementing our program.
 - a. All quarterly quantitative performance criteria for 2016--on budget balances of the Institutions of BiH (IBiH) and the central governments of the Federation of BiH (FBiH) and Republika Srpska (RS)--were met. The performance in 2017 to date, however, is mixed. While the overall fiscal balance targets were met for the RS central government, the IBiH missed the target because of higher capital spending on account of previously delayed projects having reached the execution stage, and FBiH central government missed the targets due to temporary revenue underperformance. At the general government level, we expect the overall fiscal balance would be in an appreciable surplus by end 2017, exceeding the objective by some margin. We did not contract or guarantee any new non-concessional short-term external debt (Table 1).
 - b. All continuous quantitative performance criteria were also met. We did not accumulate external payment arrears. The foreign reserves at the Central Bank of Bosnia and Herzegovina (CBBH) were not used for any budgetary or public investment purposes.
 - c. All the indicative targets (IT) for 2016 were met, except for those on gross revenues, which were missed by a small margin. All 2017 ITs were met except for those on current expenses for IBiH, which partly reflects extraordinarily-high other expenses in the first quarter and partly a higher wage bill in 2017 than expected at time of the EFF request. We face considerable difficulties in monitoring the observance of the ITs on changes in the stock of "other accounts payable" for the entity general governments, because of weakness and delays in reporting by lower levels of governments. While we are confident that the central governments of the FBiH and RS did not exceed the ceiling on the changes in the stock of other accounts payable, data collection for lower levels of government, extra-budgetary funds, and road and highway funds is yet to be finalized and therefore the IT cannot be observed for the entity general governments. The lower levels of government do not have the capacity to accurately report the accounts payable data. As a result, we no longer feel confident that these ITs serve their intended purpose under the program. Going forward, we request a deletion of the ITs on changes in the stock of "other accounts payable" of the general governments for the FBiH and the RS. Regarding the IT on domestic arrears at the central government level, the FBiH has difficulties to measure the arrears related to court judgements. While substantial progress has been made on this issue by gaining the ability to measure the principal component of court-related arrears, the FBiH has not been able to measure the interest component. We discussed this with IMF staff and agreed that arrears relating to court judgements are not included in the stock of arrears, with a view to include them in the IT at a later stage. In the meantime, we remain committed to improving monitoring of arrears and related fiscal reporting of lower levels of government with the help of the World Bank. The rest of indicative targets for end-December 2016 were met (Table 1). However, the six SBs envisaged for 2017 were not met. There was technical delay in setting up employment registries, and adoption of treasury in RS and FBiH was delayed

because of the delay in procurement by the donor (We propose to reset the SBs for later, see below). The fiscal risk underlying the auditing of veteran benefits is being addressed through budget ceiling (we propose to drop the SB).

5. To demonstrate our commitment to sound fiscal policies, the respective entity parliaments adopted budgets for 2018 for the central governments of the FBiH and the RS, in line with IMF staff advice (*prior actions for this review*). The IBiH budget that has been passed by the BiH parliament is in line with IMF staff recommendations. We will also comply with the fiscal targets for 2018 agreed with IMF staff. In these budgets, our overarching objective has been to maintain fiscal discipline, and to continue to move away from current spending and, in the case of FBiH, move towards raising growth-enhancing capital spending. As part of the FBiH government's objective to increase domestically-financed investment in public infrastructure, we plan to allocate resources towards investment in key fast roads projects in the Federation. These projects were chosen through prioritization based on road usage, and financing would be done through an extra budgetary special account. We will develop the framework for such spending in line with recommendations of IMF Staff. As envisaged in the 2018 budgets, the entity central governments will lower government wage bills in relation to GDP by continuing the general wage freeze and reducing government employment. In addition, we are proposing quarterly quantitative performance criteria for the fiscal balances and ITs for expenses of the IBiH and the central governments of the FBiH and the RS for 2018, consistent with this objective as presented in Table 1.

6. While the wages for police officers were increased at the IBiH level, the FBiH and the RS central governments have continued to refrain from increasing public sector wages including, by not increasing the wage base and wage coefficients (*a continuous structural benchmark*). The allowances in RS are slightly higher in 2017, in line with the Labor Code and branch collective agreements. Also, compensation for official travel has been classified as allowances since January 1, 2017. IBiH will continue to provide IMF staff with quarterly data on hiring and attrition, broken down by budget institutions. Additionally, the FBiH government has refrained from increasing war veterans' benefits to keep the cost of privileged pensions within budget targets.

7. The BiH parliament adopted an increase in excise rates on fuel products, including LPG, heating oil, and biofuel, by 15 fenings per liter, and it is expected that the additional revenues would be channeled to ensure highway and road infrastructure financing (*a prior action for this review*).

8. We have continued to adhere to the Currency Board Arrangement and have refrained from imposing mandatory conversion of any foreign currency denominated loans into local currency—both of which are *continuous structural benchmarks*. The current low interest rate environment around the globe and the loose monetary policy stance in Advanced Europe have been weighing on earnings for CBBH's foreign reserve investments, a challenge also faced by other central banks in the region. Nevertheless, our foreign reserve buffer at the CBBH is sufficient to cope with shocks. To avoid endangering the core functions of the central bank, CBBH will not cut costs for the purpose of generating higher profits. We are committed to the following hierarchy of reserve management objectives (in descending order of importance)—adequacy, capital preservation, liquidity, and optimal returns. Furthermore, with help from IMF

technical assistance (TA) mission on foreign reserve management, the CBBH has taken immediate measures to improve its reserve management framework. These include: (i) adoption of new Investment Guidelines and Operative Rules in line with the IMF staff recommendations; and (ii) streamlined regular reporting protocol to the Investment Committee and the Governing Board using improved reporting templates in line with IMF staff recommendations. The CBBH has also adopted an action plan for implementing other medium and long term recommendations of the mission and those from the October 2016 IMF Safeguards Assessment mission. The authorities have taken decisive measures in this regard. Consistent with our commitment to safeguard the CBA, the CBBH will continue to improve its reserve management practices by implementing, in a timely manner, the adopted action plan agreed with the IMF staff. We will consult with IMF staff when amending the Investment Guidelines and Operative Rules.

9. We have made progress in advancing our structural reform agenda. Nine of the 24 structural benchmarks have been met, while one was elevated to a prior action. We are proposing new deadlines for some of the structural benchmarks that were not met, as they will take a longer time than expected to meet because of a heavy legislative agenda, and the need for adequate consultative processes. We are also proposing to drop four structural benchmarks, largely because the underlying risks are mitigated through other actions. More specifically:

- a. The four tax agencies (ITA, FTA, RSTA, and BDTA), have continued regular exchange of taxpayer information. ITA and RSTA have started to use the combined database for risk analysis and assessment to improve audit selection.
- b. In order to improve revenue collection, the ITA has continued to publish information about the largest tax debtors and the stock of indirect tax arrears, and FTA and RSTA have also been publishing the list of the largest debtors with the outstanding amounts. To improve risk assessment for audits and revenue collection the three tax agencies have appointed in July 2017 an external revenue administration advisor.
- c. The RS parliament adopted amendments in December 2016 to the corporate income tax (CIT) law to foster consistency, avoid double taxation between the entities, and reduce tax incentives in line with IMF staff recommendations (*structural benchmark for end-December 2016*).
- d. To promote job creation, we took steps to reduce the tax wedge on labor, while at the same time harmonizing the tax regulations between the two entities. The FBiH parliament has completed the first reading of a new Personal Income Tax (PIT) and Social Security Contributions (SSC) laws to reduce the SSC rate to 33 percent, from 41.5 percent. This entails broadening the base (effective as of January 1, 2019) of SSC and PIT by the previously untaxed hot meal, travel, and vacation allowances. In order to protect the lowest income earners in society from adverse effects of the changes in SSC system, the FBiH government proposed changes to the PIT law to alleviate the tax burden on this group. In addition, the solidarity contribution in the RS was eliminated effective January 1, 2017, though a new contribution to fund medical expenses, which is paid on a voluntary basis, was introduced.

BOSNIA AND HERZEGOVINA

- e. The FBiH parliament adopted the Law on Pension and Disability Insurance (PIO) in January 2018. The Law on the Organization of the PIO Fund, developed with the assistance of the World Bank to help ensure the sustainability of the pension system, is expected to be adopted in June 2018.
- f. To strengthen control over borrowing in lower levels of government in the Federation, the FBiH government adopted a draft of the new Law on Debt, Borrowing, and Guarantees in October 2017 and has submitted it to parliament recently (*structural benchmark for end-December 2016*).
- g. We successfully disposed of our minority shares in Bosnalijek (a pharmaceutical company) and Fabrika Duhana Sarajevo (tobacco) in fall 2016. The FBiH government has initiated, in a letter to the EU, a request to finance the financial and operational due diligence of two Federation telecom companies (BH Telecom and HT Mostar), based on the terms of reference drafted in consultation with IMF staff, with the objective of improving corporate governance, restructuring and/or selling of shares (*a prior action for this review*).
- h. The RS government adopted a restructuring plan for the railway company, developed with assistance of the World Bank (*structural benchmark for end-December 2016*). The FBiH government appointed new management in the FBiH railways company in 2015, which has taken decisive actions to improve the operations of the company, including by reducing the headcount substantially in the past two years. It is expected that the company will achieve a small operating surplus in 2017, and the government and the company's management are discussing a restructuring of the company's liabilities to help achieve long-term solvency. In this context, we propose to drop the structural benchmark that called for the development of a strategic plan with WB assistance (*originally a structural benchmark for end-December 2016; we propose to drop*).
- i. We completed the entity registries of para-fiscal fees with the assistance of USAID. The registries, which cover entity central governments, cantons and municipalities, and the IBiH, will serve as a basis for the elimination of fees deemed harmful for the business environment. We have published the registries in both entities, and will adopt plans to reduce para-fiscal fees by end-June 2018, complying with constitutional competencies of individual levels of government.
- j. Following adoption of the new bankruptcy law in RS in February 2016, the FBiH parliament adopted a draft bankruptcy law in first reading in December 2016, and initiated public consultations. However, the FBiH constitutional court rendered parts of the law unconstitutional, delaying further work on the new draft. Following consultations with and clarifications from the constitutional court, the FBiH cabinet endorsed a new draft legislation proposal in October 2017 that is now pending parliamentary approval. Both entity governments plan to focus on public awareness and capacity building—with the aim of raising qualifications and skills of the insolvency administrators, courts and other professionals directly involved in working with insolvency cases.
- k. The amendments to the FBiH Law on Internal Trade, a key requirement for future WTO accession, were adopted in September 2017.

- l. The quarterly structural benchmark on the adjustment of allocation coefficients and semi-annual settlement for end-December 2016 was not met because of concerns on the accuracy of final consumption data and disputes related to settlement of outstanding past debt, but we will adopt revised indirect tax allocation coefficients for the 3rd quarter of 2017 and settle all past indirect tax claims by March 2018.
- m. In our continued efforts to address weaknesses in the banking sector, all banks have completed asset quality reviews (AQR). Based on the findings of the reviews, the banking agencies have approved plans to address provisioning and capital shortfalls as necessary, as well as risk management weaknesses (*structural benchmarks for end-November 2016*).
- n. Modernization and harmonization of banking sector legislations has progressed. The new entity banking laws and new entity banking agency laws, developed in accordance with recommendations of IMF and World Bank staff, were adopted by respective entity parliaments (*structural benchmarks for end-November 2016*). The new Law on Deposit Insurance, which the BiH parliament is expected to adopt by end-March 2018 (*original structural benchmark for end-November 2016, we propose to reset to end-March 2018*), will allow the use of the Deposit Insurance Fund for support to financing bank resolution, subject to clear safeguards for the Deposit Insurance Agency's main objective of protecting insured deposits. The new legislative package strengthens supervisors' corrective and enforcement powers, introduces consolidated supervision of banking groups and a comprehensive bank resolution framework, and promotes operational coordination among financial sector authorities in identifying and addressing systemic risks.
- o. To strengthen supervisory coordination and cooperation, regular exchange of information and joint on-site inspections of systemically important bank are taking place, and are in accordance with the entities' banking and banking agency laws.
- p. In their continued efforts of cooperation with foreign supervisory bodies, the banking agencies have signed MoUs with German Federal Financial Supervisory Authority and have progressed in negotiating the MoUs with the European Central Bank and the Russian Central Bank.

Further Reforms

Structural reforms to boost growth and job creation

10. We will continue our efforts to improve the functioning of the labor market. Following the adoption of new entity labor laws, a general collective agreement, consistent with the new law, was reached in the FBiH. In the RS, we will continue to negotiate the general collective agreement, consistent with the new labor law. In both entities, most of the sectoral branch agreements were agreed, with a few still outstanding; these are expected to be completed by June 2018. We will continue to make further efforts to step up labor inspections and to pursue active labor market programs. The entity governments rolled out employment support programs to provide support for the registered unemployed. These programs will be partly financed by the World Bank with a KM 100 million loan to support job creation in the two entities.

11. The FBiH government was not able to undertake a comprehensive privatization process due to technical delays in procuring due diligence reports and lack of buyer interest. Nevertheless, the authorities intend to complete the financial and operational due diligence of BH Telecom and HT Mostar, which has been initiated (prior action for this review), by September 2018.

12. We will take actions to improve the efficiency of processing commercial cases in the country, which is essential for enhancing the business climate. Court performance is poor, particularly in commercial cases. In the FBiH, we will implement measures with the assistance of the World Bank, EU and the Government of Netherlands. In the RS, we will also speed up the processing of commercial and labor disputes.

Making government finances sustainable and efficient

13. Recent IMF TA findings did not suggest major issues with existing *ad hoc* system of indirect revenue allocation. Therefore, we propose to drop the structural benchmark of adoption of automatic allocation system (*originally a structural benchmark for end-December 2016*).

14. We will continue to benchmark our tax collection efforts with ITs on the gross collection of indirect tax revenues by the ITA (Table 1).

15. The FBiH government will submit a draft PIT/SSC law for second reading by end-May 2018, in line with IMF staff recommendations (*a new structural benchmark*). The take-home-pay protection for public employment contracts in RS will be eliminated, effective as of January 1, 2019 following receipt of assistance from IMF staff and in line with the IMF staff recommendations.

16. In our continuing efforts to rein in the public sector wage bill in a sustainable manner, we are developing public employment registries with assistance of World Bank staff—the entity governments have initiated this work by sharing anonymized individual-level information in their respective payroll databases with the World Bank, and are now working on preparation of legislative framework for employee registries which should be completed by March 2018. The BiH Council of Ministers will conduct a functional review based on its payroll data and operationalize its strategic plan to restrain wages and reduce overall employment with assistance from the World Bank by December 2018 (*originally a structural benchmark for end-June 2017, we propose to reset this to end-December 2018*). The entity governments will also use their registries to conduct functional reviews of public sector employment and wages and operationalize their strategic plans to restrain wages and reduce overall employment in public sector with assistance from the World Bank by December 2018 (*originally structural benchmarks for end-June 2017, we propose to reset these to end-December 2018*) in order to achieve sustainable and effective reduction in public employment in 2019 and beyond.

17. To improve the targeting of social assistance and prevent abuse in the war veteran benefit system, the FBiH government will continue the audit process to verify the eligibility of the existing beneficiaries for all categories of war veterans (*originally a structural benchmark for end-June 2017, we propose to drop because fiscal risk is limited by a budget allocation ceiling*). The delay was partly because of longer-than-expected medical inspections during the audit process,

and court decisions that reversed audit procedure. In addition, the FBiH parliament adopted the *Law on Single Registry of Beneficiaries of Benefits without Contribution* in April 2017. We remain committed to establish a centralized database of beneficiaries of social transfers by June 2018 and to prepare a report and plan to improve the targeting of social transfers by end-September 2018. *(originally a structural benchmark for end-December 2016, we request to drop because fiscal risk is limited by a budget allocation ceiling).*

18. We are committed to helping improve public financial management practices in lower levels of governments, including lowering the wage bill:
 - a. We value the recommendations of IMF Technical Assistance, in drafting a law on Public Revenue Allocation. We remain committed to the simplification of the revenue allocation formula used by the FBiH central government, cantons, and municipalities, and the introduction of an incentive mechanism for cantons and municipalities that follow sound fiscal management practices.
 - b. We will take a number of measures to address the problem of arrears:
 - i. The entity governments, with assistance from the World Bank, have made progress in documenting the stock of arrears including at lower levels of government. We have also requested TA from the IMF to collaborate in this effort. The FBiH Government will, with the assistance of the World Bank and the IMF, collect data on arrears at all the levels of government in FBiH *(a new structural benchmark for end-June 2018)*. We will discuss with World Bank and IMF experts the results of the stocktaking, and aim to establish a database of public sector arrears with improved documentation/reporting of the stock and flow of arrears. By September 2018, the FBiH government will also adopt, in line with IMF staff recommendations, a time-bound action plan that aims to address the arrears situation in FBiH *(a new structural benchmark for end-September 2018)*. In the RS, we have taken measures to improve the reporting system for capturing health sector arrears. The RS government will adopt a plan to restore the financial sustainability of health institutions by December 2018 *(a new structural benchmark for end-December 2018)*. The RS will also require health centers to prepare budgets with hard budget constraints to prevent new arrears accumulation by September 2018 *(a new structural benchmark for end-September 2018)*.
 - ii. In order to reduce costs in the health sector, the Council of Ministers adopted a revised Rulebook for defining maximum external reference medicine prices in November, 2016. We plan to further reduce costs and improve medicine availability.
 - iii. We will continue our work with USAID on the expansion of the treasury systems to lower government, including budget management systems in cantons in FBiH *(originally a structural benchmark for end-March 2017; we propose to reset to end-March 2019)*. In the RS, we will expand the treasury system to cover health centers *(originally a structural benchmark for end-March 2017, we propose to reset to end-*

March 2019). We are taking intermediate steps including pilot programs before the work is finalized.

- iv. Going forward, we remain committed to non-accumulation of external arrears in the entity general governments, the IBiH, and the CBBH (*continuous performance criteria*).
- c. At the time the IMF Board considered our request for the program in September 2016, the F BiH government intended to address unpaid pension contributions covering state owned enterprises and public companies, which total about KM 500 million. We will work on developing a systemic solution to limit the negative impact on the budget with technical experts of the IMF and/or the World Bank
- d. We will work with IMF technical expert staff to strengthen our public procurement standards for placing public deposits.

Safeguarding financial stability and supporting credit growth

19. Bosnia and Herzegovina's financial system is stable, with adequate capital and liquidity at the aggregate level. Nevertheless, we are vigilant as banks remain vulnerable to elevated NPLs. The AQRs revealed some common shortcomings across banks, which will be addressed in consultation with IMF staff. The banking agencies will review the prudential regulations in these areas. Based on the findings, the banking agencies will amend the relevant prudential regulations in line with IMF staff recommendations. A resident advisor assumed his duties in May 2017. With an aim of strengthening supervision and maintaining banking sector stability, the agencies adopted the strategy to introduce BASEL III and since 2013 they have been working on developing regulations consistent to requirements under EU directives, IMF recommendations and new banking laws.

20. In light of the recently adopted banking and banking agency legislations, we will continue to work on banking agency bylaws and organizational structures emanating from the new bank resolution mandate, and will draft the appropriate secondary legislations. We seek further assistance from IMF staff to strengthen the independence and improve the governance structure and decision-making process of the banking agencies and the Deposit Insurance Agency (DIA). We will discuss any needed amendments to the Banking Agency Laws and the Law on Deposit Insurance, developed in line with the IMF staff recommendations, by end-December 2018.

21. One of the key reforms aimed at strengthening the cooperation and information exchange among the financial sector authorities is the preparation of the Financial Stability Memorandum of Understanding (FSMoU) under the auspices of the Standing Committee for Financial Stability (SCFS). The SCFS has adopted an action plan and formed an inter-institution working group to draft improved information sharing and cooperation arrangements in the areas of supervision, crisis preparedness and management, and systemic risk oversight, all in line with recommendations of the IMF staff. A first draft of the FSMoU has been shared with IMF staff. The FSMoU will be signed by CBBH, DIA, FBA, RSBA, and other relevant parties by June 2018, in line with IMF staff recommendations (*a new structural benchmark*).

22. The CBBH, the DIA, and the two entity Banking Agencies will agree on an identical methodology for determination of systemically important banks (SIBs), agreed with IMF staff, which will be adopted by the relevant institutions in March 2018 (*a new structural benchmark for end-March 2018*). The identical methodology and data inputs are an important prerequisite for effective supervisory cooperation and systemic risk oversight.

23. To further facilitate the recovery and resolution of NPLs, we will focus on improving the bankruptcy framework in FBiH and the efficiency of the court systems in both entities (see paragraphs 9 and 12 above).

24. We remain committed to work with FATF and MONEYVAL. In light of the substantial progress made in this regard, an onsite visit from the FATF is expected in January 2018, of which the results will be discussed at the FATF plenary scheduled in February 2018.

25. The entity governments are preparing new legislations for the entity development banks. Recent TA missions from the IMF and the World Bank have revealed deficiencies in mandate and objectives, governance, operational transparency, and risk management practices. This warrants a comprehensive overhaul of the development bank legislations, including those under which the six funds managed by the RS Investment and Development Bank are established. The entity governments are preparing drafts of the new legislations on development banks to address the identified deficiencies in consultation with the IMF staff and the World Bank. The development banks will be subject to appropriate supervision and regulation by the entity banking agencies. The strategic statements of the development banks will be adopted in March 2018, and adoption of the laws by respective entity parliaments is now expected by end June 2018 (*originally structural benchmarks for end-November 2016, we propose to reset them to end-June 2018*).

Program modalities

26. We believe that our economic program continues to be on course and the policies set forth in our Letter of Intent of July 31, 2016, and this Supplementary Letter of Intent are adequate to achieve the objectives of our economic program. We stand ready, however, to take any additional measures that may be needed to achieve the objectives of our economic program. We will consult with the IMF on the adoption of additional policy measures and in advance of any revision to the policies contained in our economic program, in accordance with IMF policies on such consultation. We will continue to provide IMF staff with the necessary information for assessing progress in implementing our program and will maintain a close policy dialogue with IMF staff. We will also refrain from introducing or intensifying any exchange and trade restrictions and other measures or policies that could worsen balance of payments difficulties.

27. We request the IMF Executive Board's approval of waiver of nonobservance of the end-June 2017 performance criterion on net lending (budget balances), since the targets for IBiH and the central government of the FBiH were missed mainly because of higher-than-expected capital spending and temporary revenue underperformance, due to an unexpectedly-high tax refund which was subsequently compensated by stronger-than-expected revenue, respectively. In addition, we request the IMF Executive Board to approve the deletion of the ITs on changes in the stock of "other accounts payable" for the general governments of the FBiH and the RS. Furthermore, we request the IMF Executive Board to complete the first review, and approve a

disbursement in the amount of SDR 63.4125 million. Given the delay in completing the first review, we also request that the arrangement be extended by 12 months and the remaining access (SDR 316.217 million) be rephased over the remainder of the period of the extended arrangement.

28. The program will continue to be monitored through quarterly and continuous quantitative performance criteria, indicative targets, prior actions, and structural benchmarks. Quantitative performance criteria for 2018, continuous performance criteria, and ITs for 2018 are set out in Table 1; and prior actions and structural benchmarks are set out in Table 2. The second review of the program is expected to take place on or after June 1, 2018. Subsequent reviews will be conducted on a quarterly basis.

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

/s/
Denis Zvizdić
Chairman
of the Council of Ministers
Bosnia and Herzegovina

/s/
Fadil Novalić
Prime Minister
Federation of Bosnia
and Herzegovina

/s/
Željka Cvijanović
Prime Minister
Republika Srpska

/s/
Vjekoslav Bevanda
Minister of Finance
and Treasury of
Bosnia and Herzegovina

/s/
Jelka Milićević
Minister of Finance
Federation of Bosnia
and Herzegovina

/s/
Zoran Tegeltija
Minister of Finance
Republika Srpska

/s/
Senad Softić
Governor
Central Bank of Bosnia and Herzegovina

Table 1. Bosnia and Herzegovina: Proposed Quantitative Performance Criteria and Indicative Targets Under the 2016–20 Extended Fund Facility

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

	2016				2017				2018						
	End September		End December		End March		End June		End September	End December	End March	End June	End September	End December	
	IMF Country Report 16/291	Actual 7/	IMF Country Report 16/291	Actual 7/	IMF Country Report 16/291	Actual 7/	IMF Country Report 16/291	Actual 7/	Actual 7/	Actual 7/	Actual 7/	Actual 7/	Actual 7/	Actual 7/	
Performance Criteria															
Floor on the net lending of 1/									Not met						
Institutions of BiH	56.9	76.2	12.6	35.3	18.1	14.7	35.8	30.1	Not met	26.6	-13.8	-12.9	11.9	15.6	-21.1
Federation central government	203.2	285.1	178.6	268.1	107.1	89.3	252.0	179.6	Not met	384.7	261.7	77.8	167.9	261.0	267.9
RS central government	21.3	146.2	-39.9	65.3	30.6	51.8	70.7	106.4	Met	177.4	37.1	35.9	85.9	153.4	114.8
Ceiling on contracting and guaranteeing of new nonconcessional short-term external									Met						
Institutions of BiH	0	0	0	0	0	0	0	0	Met	0	0	0	0	0	0
Federation general government	0	0	0	0	0	0	0	0	Met	0	0	0	0	0	0
RS general government	0	0	0	0	0	0	0	0	Met	0	0	0	0	0	0
CBBH	0	0	0	0	0	0	0	0	Met	0	0	0	0	0	0
Ceiling on accumulation external payment arrears by 2/									Met						
Institutions of BiH	0	0	0	0	0	0	0	0	Met	0	0	0	0	0	0
Federation general government	0	0	0	0	0	0	0	0	Met	0	0	0	0	0	0
RS general government	0	0	0	0	0	0	0	0	Met	0	0	0	0	0	0
CBBH	0	0	0	0	0	0	0	0	Met	0	0	0	0	0	0
Ceiling on transfers and credits from the CBBH to the public sector (cumulative) 2/ 3/	0	0	0	0	0	0	0	0	Met	0	0	0	0	0	0
Indicative targets															
Ceiling on current expense 4/															
Institutions of BiH	611	603	845	829	193	199	395	397	Not met	609	846	210	420	631	870
Federation central government	1,021	916	1,469	1,365	292	273	637	616	Met	957	1,555	287	617	974	1,463
RS central government	1,827	1,726	2,525	2,459	555	538	1,171	1,145	Met	1,765	2,524	571	1,184	1,823	2,592
Ceiling on accumulation of domestic arrears by															
Institutions of BiH	0	0	0	0	0	0	0	0	Met	0	0	0	0	0	0
Federation central government 5/	0	n/a	0	n/a	0	n/a	0	n/a		0	0	0	0	0	0
RS central government	0	0	0	0	0	0	0	0	Met	0	0	0	0	0	0
Floor on the net lending of the general government of BiH 1/	432.9	834.8	254.2	635.7	171.2	367.0	390.1	765.2	Met	1,349.8	1,096.9	337.9	691.7	1,211.5	1,088.0
Ceiling on changes in the stock of "other accounts payable" 6/															
Federation general government	100.0	...	100.0	...	100.0	...	100.0	...		...	...	...	...	...	...
RS general government	100.0	...	100.0	...	100.0	...	100.0	...		...	...	...	...	...	...
Floor on the ITA gross revenue collection	4,917.1	4,864.5	6,651.8	6,638.3	1,484.1	1,542.9	3,133.8	3,290.1	Met	5,226.0	7,107.1	1,724.8	3,607.2	5,655.7	7,652.9

1/ Excluding foreign financed projects as defined in TMU.

2/ Continuous.

3/ Exclude transfers of the CBBH's annual net profit to the institution in charge of BiH budget upon the end of the CBBH financial year, as stipulated in the Law of the CBBH.

4/ As defined in TMU.

5/ FBiH central government arrears could not be measured due to court-related arrears that were not captured by the arrears-monitoring module of the treasury system. Significant progress has been made in addressing this weakness: going forward, arrears monitoring will resume, with court-related arrears excluded for an interim period in order to allow for sufficient testing of the improvements made to the treasury system.

6/ Not observable because of unavailability of data. Authorities request deletion of this indicative target in the period ahead.

7/ Not QPCs and ITs.

Table 2. Bosnia and Herzegovina: Structural Conditionality

Prior actions				
	Actions	Test Date	Status	
1	FBiH parliament to adopt budget for 2018 in line with IMF staff recommendations.		Completed	
2	RS parliament to adopt budget for 2018 in line with IMF staff recommendations.		Completed	
3	FBiH authorities to initiate, in a letter to the EU, a request to finance the financial and operational due diligence of the two Federation telecom companies, with the objective of improving corporate governance, restructuring, and/or selling of shares, and based on the terms of reference drafted in consultation with IMF staff.		Completed	
4	The BiH parliament to adopt an increase in excise rates on fuel products including LPG, biofuel, and heating oil, by 15 fenings per liter and channel the additional revenues to ensure external financing for growth-enhancing highway and road infrastructure investments.		Completed	
Existing structural benchmarks				
	Actions	Date 2016 SR	Current Status	Proposed New Date/Remarks
1	Continue to adhere to the Currency Board Arrangement as constituted under the law.	Continuous	Met	
2	Refrain from increasing public sector wages including refraining from increases in the wage base, the wage coefficients, and allowances.	Continuous	Not met; FBiH and RS met, IBiH not met	
3	Refrain from imposing mandatory conversion of any foreign currency-denominated loans into local currency.	Continuous	Met	
4	Adjust the allocation coefficient for indirect tax revenue on a quarterly basis and settle indirect tax claims semi-annually.	Quarterly	Not met	Net inter-entity outstanding balance is small and allocations are continuing based on the old coefficient.
5	FBA to make final assessment of recapitalization plans for banks that reveal capital shortfalls based on their AQR results.	End- November 2016	Met	
6	FBiH government, in consultation with the World Bank Group and/or EBRD, will complete the financial and operational due diligence for BH Telecom and HT Mostar.	End-October 2016	Not met	Elevated to PA above. Change completing due diligence to initiating the request for EU to finance the due diligence, based on the TOR drafted in consultation with IMF staff

7	Federation parliament to adopt a new draft Law on Banks and amendments to Banking Agency Law in line with IMF staff recommendations.	End-November 2016	Met	
8	RS parliament to adopt a new draft Law on Banks and amendments to Banking Agency Law in line with IMF staff recommendations.	End-November 2016	Met	
9	State parliament to adopt amendments to the Law on Deposit Insurance in Banks in BiH in line with IMF staff recommendations.	End-November 2016	Not met	Reset to end-March 2018; parliamentary gridlock; a new law is envisaged
10	RSBA to make final assessment of recapitalization plans for banks that reveal capital shortfalls based on their AQR results.	End-November 2016	Met	
11	RS parliament to amend the law on IDBRS in line with IMF staff recommendations.	End-November 2016	Not met	Reset to end-June 2018; need more time for consultation and implementation
12	FBiH parliament to amend the law on Federation Development Bank in line with IMF staff recommendations.	End-November 2016	Not met	Reset to end-June 2018; need more time for consultation and implementation
13	FBiH government to submit to parliament amendments to the Law on Debt, Borrowing, and Guarantees to strengthen controls over lower level governments.	End-December 2016	Met	
14	FBiH government to prepare a report and plan to improve the targeting of social transfers based on the centralized database of beneficiaries.	End-December 2016	Not met	Drop; fiscal risks are covered by budgetary ceiling on this item
15	Adopt new automatic allocation system for ITA revenues in line with IMF staff recommendations.	End-December 2016	Not met	Drop; IMF TA did not find major issues with the existing ad hoc system.
16	FBiH government to adopt a restructuring plan for railways, developed with the assistance of the World Bank.	End-December 2016	Not met	Drop; FBiH government has proceeded with its own restructuring step
17	RS government to adopt a restructuring plan for railways, developed with the assistance of the World Bank.	End-December 2016	Met	
18	RS parliament to amend its corporate income tax law to foster consistency, avoid double taxation between the entities and reduce tax incentives, in line with IMF staff recommendations.	End-December 2016	Met	
19	FBiH to expand the treasury system to budget management systems in cantons.	End-March 2017	Not met	Reset to end-March 2019; delayed in procurement by the donor
20	RS government to expand the treasury system to health centers.	End-March 2017	Not met	Reset to end-March 2019; delayed in procurement by the donor
21	FBiH government to complete Phase III of the audit process for all categories of war veterans' benefits, including privileged pensions.	End-June 2017	Not met	Drop; fiscal risks are covered by budgetary ceiling on this item
22	FBiH government to adopt an operational plan to reduce overall employment in public sector based on the employment registry developed with the assistance of the World Bank.	End-June 2017	Not met	Reset to end-December 2018; technical delay in setting up employment registry

BOSNIA AND HERZEGOVINA

23	RS government to adopt an operational plan to reduce overall employment in public sector based on the employment registry developed with the assistance of the World Bank.	End-June 2017	Not met	Reset to end-December 2018; technical delay in setting up employment registry
24	Council of Ministers of BiH to adopt an operational plan to reduce overall employment in public sector based on the employment registry developed with the assistance of the World Bank.	End-June 2017	Not met	Reset to end-December 2018; need to conduct functional review of employment and wages
New proposed structural benchmarks				
	Actions	Proposed date		
1	RSBA, FBA, CBBH, and DIA to adopt the identical methodology for determining domestic systemically important banks, in consultation with IMF staff.	End-March 2018		
2	FBiH government to submit a draft PIT/SSC law to FBiH parliament for second reading in line with IMF staff recommendations.	End-May 2018		
3	CBBH, DIA, FBA, RSBA, and other relevant parties to sign a Financial Stability MoU, in line with IMF staff recommendations.	End-June 2018		
4	FBiH, to collect data on arrears at all the levels of government in FBiH, in line with IMF and World Bank advice.	End-June 2018		
5	FBiH government to adopt a time bound action plan to address the arrears situation in the Federation, in line with IMF staff recommendation.	End-September 2018		
6	RS government to require health centers to prepare budgets with hard budget constraints to prevent new arrear accumulations.	End-September 2018		
7	RS cabinet to adopt a plan to restore financial sustainability of health institutions, in line with IMF and World Bank advice.	End-December 2018		

Technical Memorandum of Understanding on Definitions and Reporting Under the 2016–20 Extended Fund Facility

January 29, 2018

1. This Technical Memorandum of Understanding (TMU) sets out the understanding between the authorities of Bosnia and Herzegovina and the IMF mission regarding the definitions of quantitative performance criteria and indicative targets for the Extended Fund Facility (EFF) (Table 1) as well as data reporting requirements for program monitoring (Table 3).

I. PERFORMANCE CRITERIA AND INDICATIVE TARGETS

2) In the following definitions, the end-quarter test dates apply to the last working day of each quarter.

3) The definitions of all fiscal variables contained in this TMU are based, unless otherwise specified, on the IMF's *Manual on Government Finance Statistics 2001*, with revenues recorded on a cash basis and expenditures on an accrual basis. The exceptional one-off payments based on accumulated reserves or holding gains that will be classified as withdrawals of equity rather than dividends. Transfers to the pension fund related to the clearance of pension arrears by non-government entities (missing pension contributions) will be recorded (i) as capital transfers and (ii) on a cash-flow basis.

A. Floors on the Net Lending of (i) the Institutions of Bosnia and Herzegovina, (ii) Central Government of the Federation of Bosnia and Herzegovina, and (iii) Central Government of the Republika Srpska (Performance Criteria)

Definitions

4. The Institutions of Bosnia and Herzegovina comprise all spending units depending on its budget. The central government of the Federation of Bosnia and Herzegovina is defined to include all spending units depending on its budget whether these units are included or not in the treasury system, and the operations funded by escrow accounts. The central government of the Republika Srpska includes all spending units depending on its budget whether these units are included (entirely or partially) or not in the treasury system, and the operations funded by escrow accounts.

5. Net lending is defined as revenue minus expenditure.

Application of performance criteria

6. Program targets will be individually monitored quarterly through the respective accrual balances and measured as the cumulative change from the level existing on December 31 of the previous year.

7. For the purposes of program monitoring, compliance with the floors on the net lending will require that each of the three above-defined floors be observed independently.

Adjusters to performance criteria

8. The definition of net lending will exclude spending on investment projects financed by external official creditors either through loans or grants.

Reporting requirements

9. Data on quarterly execution, including revenues, expenditure and financing, will be provided by the ministries of finance of the Institutions of BiH and respective Entities and no later than five weeks after the end of each quarter (six weeks for end-year numbers).

B. Ceilings on Contracting or Guaranteeing of New Nonconcessional Short-Term External Debt by Institutions of Bosnia and Herzegovina, Federation and Republika Srpska General Governments, and CBBH (Performance Criteria)

Definitions

10. **Definition of debt.** The term “**debt**” is defined to include all current liabilities to non-residents, which are created under a contractual arrangement through the provision of value in the form of assets (including currency) or services, and which require the Institutions of Bosnia and Herzegovina, Federation and Republika Srpska general governments or CBBH to make one or more payments in the form of assets (including currency), at some future point(s) in time to discharge principal and/or interest liabilities incurred under the contract¹ (Point 8, Guidelines on Public Debt Conditionality in Fund Arrangements, Executive Board Decision No. 15688-(14/107), adopted December 5, 2014). In effect, all instruments that share the characteristics of debt as described above (including loans, suppliers' credits and leases) will be included in the definition.

11. **New nonconcessional external debt** is defined as including all debt (as defined above) contracted or guaranteed by the Institutions of Bosnia and Herzegovina, Federation and Republika Srpska general governments or CBBH during the program period that is not on concessional terms.

12. **Concessional loans** are defined as those with a grant element of at least 35 percent of the value of the loan, using currency-specific discount rates based on the commercial interest rates reported by the OECD (CIRRS). For short-term loans, the average CIRRS of the preceding six-month period (plus a margin of 0.75 percent) will be used.

13. **Short-term external debt** is defined as external debt contracted or guaranteed with an original maturity of up to and including one year.

Application of performance criteria

14. The zero ceilings on contracting new nonconcessional short-term external debt applies to obligations of the Institutions of Bosnia and Herzegovina, Federation and Republika Srpska general

¹ See [Debt Limits in Fund-Supported Programs—Proposed New Guidelines 6230-\(79/140\)](#)

governments, and CBBH. These criteria will be measured quarterly on the basis of end-of-quarter data.

Reporting requirements

15. Data on newly contracted or guaranteed nonconcessional short-term external debt will be provided by the Ministries of Finance of the Institutions of BiH and the respective Entities and by the CBBH on a quarterly basis within six weeks of the end of each quarter.

C. Ceilings on the Accumulation of External Payment Arrears by the Institutions of Bosnia and Herzegovina, Federation and Republika Srpska General Governments, and CBBH (Performance Criteria)

Definitions

16. **External payment arrears** are defined as overdue debt service arising in respect of debt obligations (as described above) incurred directly or guaranteed by the Institutions of Bosnia and Herzegovina, Federation and Republika Srpska general governments, and CBBH, except on debt subject to rescheduling or restructuring.

Application of performance criteria

17. The zero ceilings on accumulation of external payments arrears apply to the change in the stock of overdue payments on medium- and long-term debt contracted or guaranteed by the Institutions of Bosnia and Herzegovina, Federation and Republika Srpska general governments, or CBBH. These criteria will apply continuously.

18. The limit on the change in external payments arrears also applies to the change in the stock of overdue payments on short term debt in convertible currencies with an original maturity of up to and including one year.

19. There are zero ceilings on accumulation of new external arrears under the program.

Reporting requirements

20. The Ministries of Finance of the Institutions of BiH and the respective Entities and the CBBH will inform Fund staff immediately of any accumulation of external debt service arrears.

D. Ceiling on transfers and credits from the Central Bank of Bosnia and Herzegovina to the public sector (Continuous Performance Criterion)

Definitions

21. Transfers and credits of the CBBH to the public sector is defined as transfers and payments from the CBBH to the general government and outstanding claims of the CBBH on the general government, including overdrafts, direct credit, and holdings of government securities.

Application of performance criterion

22. The zero ceiling applies to the cumulative sum of transfers and credits from the CBBH to the public sector since the beginning of the year. This criterion will apply continuously.

Reporting

23. Data will be provided by the CBBH to the Fund on a monthly basis with a lag of no more than 14 working days.

Adjuster

24. The ceiling on the transfers and credits of the CBBH to the public sector will exclude transfers of the CBBH's annual net profit to the institution in charge of BiH budget in the period of four months upon the end of the CBBH financial year, as stipulated in Article 27 of the Law of the CBBH.

E. Ceilings on the current expense by the Institutions of Bosnia and Herzegovina, and Federation and Republika Srpska Central Governments (Indicative Targets)

Definition

25. Current expense of the Institutions of Bosnia and Herzegovina, and Federation and RS Central Governments is defined as the sum of compensation of employees, use of goods and services, social benefits, interest, subsidies, transfers to other general government units, and other expense.

Application of the indicative targets

26. The ceilings on the current expense by the Institutions of Bosnia and Herzegovina, and Federation and RS Central Governments will be measured quarterly on the basis of cumulative end-of-quarter accrued KM amounts.

27. For the purposes of program monitoring, if at the end of any given quarter the cumulative KM amount of current expense since the beginning of the current year exceeds the corresponding ceilings, the indicative targets will be missed.

28. Compliance with the three above-defined ceilings on the current expense will require each of the ceilings be observed independently.

Reporting requirements:

29. Data on current expense by the Institutions of Bosnia and Herzegovina, and Federation and RS Central Governments will be contained in the data on quarterly central government execution, to be provided by the respective ministries of finance no later than five weeks after the end of each quarter (six weeks for end-year numbers).

Adjusters

30. The ceilings of the indicative targets will exclude capital transfers intended for financing specific highway construction projects in the Federation.

F. Ceilings on the Accumulation of Domestic Arrears by the Institutions of Bosnia and Herzegovina, and Federation and Republika Srpska Central Governments (Indicative Targets)

Definition

31. The indicative targets established on the stock of domestic payments arrears contemplates a zero ceiling on the increase in the stock of arrears compared with the stock as of December 31 of the previous year. The stock of arrears is defined as the sum of payments obligations (accounts payable) past the due date stipulated by the contractual or legal payment period for each expenditure item and are nondisputed. They can arise on any expenditure item, including transfers to individuals, debt service, wages, pensions, energy payments and goods and services. Past-due payments obligations on inter-governmental transfers (i.e., transfers between Entity central governments and local governments, and extrabudgetary funds) are not included in the stock of arrears. Arrears relating to court judgements are not included in the stock of arrears either.

Application of indicative targets

32. The zero ceilings on accumulation of domestic payment arrears apply to obligations of the Institutions of Bosnia and Herzegovina, and Federation and Republika Srpska general governments. This target will be measured quarterly on the basis of end-of-quarter data. Thus, if at the end of any given quarter any of the three governments exceeds the zero ceiling on the change in the stock of its arrears compared with the stock of the same government's arrears as of December 31 of the previous year, the indicative target will be missed.

Reporting requirements:

33. Data on domestic arrears will be transmitted on a quarterly basis by the Ministries of Finance of the Institutions of BiH and the respective Entities within five weeks of the end of each quarter. Separately, available data on arrears related to court judgments will be submitted on the same schedule.

G. Floor on the Net Lending of the General Government of Bosnia and Herzegovina (Indicative Target)

Definitions

34. ***The general government of Bosnia and Herzegovina*** is defined to include the Institutions of Bosnia and Herzegovina, and the general governments of Federation of Bosnia and Herzegovina Entity (Federation), Republika Srpska Entity (RS), and the District Brcko. The *Federation general government* is defined to include the central government, the cantonal governments, the municipal governments, the federal and cantonal extrabudgetary funds and the road and highways funds. The *RS general government* is defined to include the central government, the municipal governments,

the extrabudgetary funds and the road and highway funds. The *District Brcko* is defined to include the central government with all spending units depending on its budget and extrabudgetary funds. Extrabudgetary funds include, but are not limited to, pension funds, health funds, unemployment funds, and children's fund. Any new budgetary or extra budgetary fund, created during the program period will also be included in the definition of the general government. The BiH authorities will inform IMF staff of the creation of any such new funds. Any fund that uses public resources not included in the definitions above will be automatically allocated either to one of the entity general governments or to the Institutions of Bosnia and Herzegovina. The BiH authorities will promptly inform IMF staff of the existence of any of such funds.

35. The net lending of the General Government of Bosnia and Herzegovina is defined as revenue minus expenditure. The floor on the net lending of the General Government of Bosnia and Herzegovina will be defined, for each test date, as the cumulative change from the level existing on December 31 of the previous year.

Adjusters to indicative target

36. The definition of net lending will exclude spending on investment projects financed by external official creditors either through loans or grants.

Reporting requirements

37. Data on quarterly general government execution, including revenues, expenditure and financing, will be provided by the ministries of finance of the respective Entities and District Brcko no later than six weeks after the end of each quarter. Data on quarterly general government execution for Bosnia and Herzegovina, including revenues, expenditure and financing, will be provided by Macroeconomic Analysis Unit no later than six weeks after the end of each quarter.

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

Definition

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

Application of the indicative target

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

Reporting requirements:

40. Data on gross and net revenues will be transmitted on a monthly basis by the Indirect Tax Authority within two weeks of the end of each month.

II. OTHER DATA REPORTING REQUIREMENTS

41. The Bosnia and Herzegovina authorities will report the following data to the Fund within the time limits listed below (Table 3). In addition, the Fiscal Council will provide, no later than the fourth week of each quarter, a summary of key macroeconomic policy decisions taken during the previous quarter; a summary of regulatory changes in the area of banking and financial sector, report any amendments to the Entity and state budgets within a week after their government approval.

42. Any revisions to past data previously reported to the Fund will be reported to the Fund promptly, together with necessary explanation. All data will be provided in an electronic form.

43. All magnitudes subject to performance criteria or indicative targets will be reported in millions of convertible marka (KM).

44. The Bosnia and Herzegovina authorities will supply the Fund with any additional information that the Fund requests in connection with monitoring performance under the program on a timely basis.

Table 3. Bosnia and Herzegovina: Data Reporting Requirements under the 2016–2020 Extended Arrangement Under the EFF

Data series	Data frequency	Periodicity of data reporting	Timeliness of data reporting (after the end of each reporting period)
I. Daily data reporting	Daily	Weekly	Up to 14 working days, unless noted
Gross international reserves CBBH foreign exchange purchases and sales			
II. Monthly data reporting	Monthly	Monthly	Up to 4 weeks , unless noted
Financial sector			
The balance sheet of the CBBH			
The commercial bank survey and monetary survey			
Weighted average interest rates by bank and by type of loans			
Banking sector credit to the general government (by level of government)			
Government deposits in the banking sector			
Government finances			
ITA revenues			Up to 5 weeks 1/
Debt service			
New external loans contracted or guaranteed by governments			
III. Quarterly data reporting	Quarterly	Quarterly	
Financial sector			
Banking supervision: financial soundness indicators			Up to 6 weeks 2/
Banking supervision: bank-by-bank commercial banks' summary balance sheets and income statements and prudential data on loan quality, liquidity, and			Up to 8 weeks 2/
Government finances			Up to 6 weeks
Revenues, expenditures and financing data for or Institutions of BiH and Entity central governments, municipalities (in both entities), and cantons (in the Federation), and Brcko District			
Revenues, expenditures and financing data for the road funds and highway funds in both entities			
Revenues, expenditures and financing data for the extrabudgetary funds in Federation, RS and Brcko District			
Revenues, expenditures and financing data for consolidated BiH, consolidated FBiH, and consolidated RS general governments			
End-period stock of outstanding arrears and float during the reference period by type of expenditure (wages, social benefits, pension, goods and services, etc.)			
Report on inflows into and outflows from escrow accounts (FBiH, RS)			
Debt service			
External debt service projections for current year; total, by creditor, by level of government, and in original currency			
Government guarantees on domestic loans contracted by public and private entities			
Newly contracted government short-term external loans and degree of concessionality (grant element); total, by creditor, by purpose (project/budget support), original currency, and maturity			
External debt service payments (interest, amortization) by level of government			
External loan and grants disbursements; by creditor, by level of government, by purpose (project/budget support) and original currency			
Stock of external debt for public sector and banking sector			
Stock of domestic government debt outstanding (by level of government, type of obligation, and holder (bank and non-bank sectors)); projected domestic government debt interest and amortization payments (by level of government, type of obligation, and holder)			

1/ Up to 6 weeks for end-year data.

2/ Up to 10 weeks for end-year data.