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## **Bosnia and Herzegovina: Selected Issues**

This Selected Issues report on Bosnia and Herzegovina was prepared by a staff team of the International Monetary Fund as background documentation for the periodic consultation with this member country. As such, the views expressed in this document are those of the staff team and do not necessarily reflect the views of the Government of Bosnia and Herzegovina or the Executive Board of the IMF.

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BOSNIA AND HERZEGOVINA

**Selected Issues**

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Approved by the European I Department

May 12, 1998

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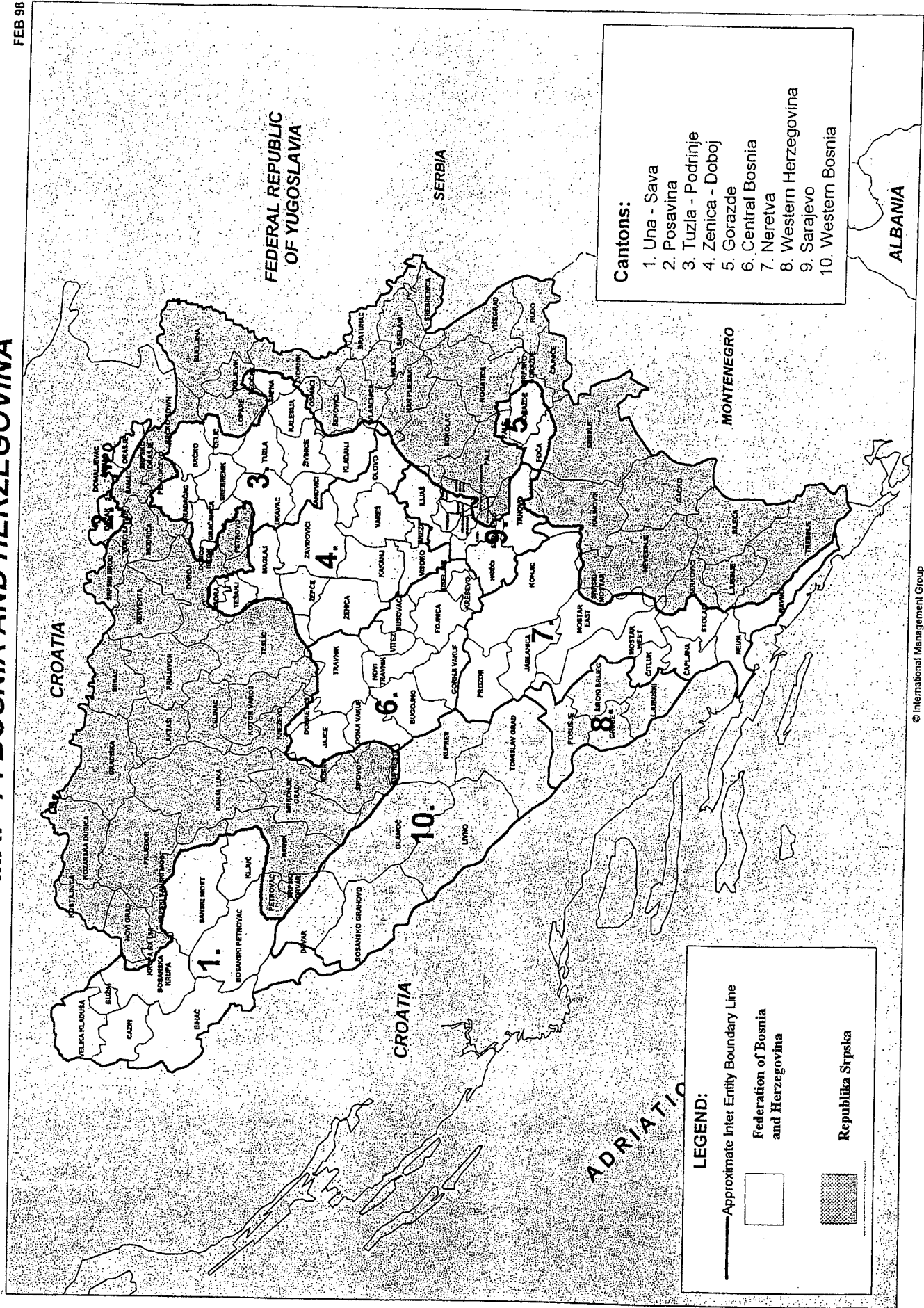
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# MAP 1 : BOSNIA AND HERZEGOVINA



- Cantons:**
1. Una - Sava
  2. Posavina
  3. Tuzla - Podrinje
  4. Zenica - Dobo
  5. Gorazde
  6. Central Bosnia
  7. Neretva
  8. Western Herzegovina
  9. Sarajevo
  10. Western Bosnia

**LEGEND:**

- Approximate Inter Entity Boundary Line
- Federation of Bosnia and Herzegovina
- ▒ Republika Srpska

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This map is not to be taken as necessarily representing IMG views on boundaries or political status

Bosnia and Herzegovina: Basic Indicators

	1994	1995	1996	1997 Est.
Population (end-1996, including refugees overseas)				4.1 million
Land area				51,129 sq. km.
Per capita GDP (1997, est.)				US\$ 1,086
GDP (millions of U.S. dollars)	1,964	2,157	3,327	4,455
Industrial production (percent change) 2/				
Federation	...	341	122	30
Republika Srpska	...	-13	20	34
Employment, end-period 3/	143,962	220,396	338,656	340,361
Wages (DM/month) 4/				
Federation	...	43	168	266
Republika Srpska 5/	...	21	50	90
		(annual average percent change)		
Real GDP (annual average)	...	32	50	30
CPI 6/				
Federation (DM)	...	-4	-25	14
Republika Srpska (YUD)	...	118	66	3
Republika Srpska (DM-based index) 5/	...	13	45	-7
Money and credit 7/	...			
Broad money	...	9	96	25
Domestic credit	...	-13	14	17
		(in millions of DM)		
Consolidated government 8/				
Revenue (including grants)	557	1,043	1,991	2,428
Expenditure	896	1,051	2,173	2,519
Balance 9/	-339	-9	-183	-91
		(in millions of US dollars)		
External current account balance 10/ 11/	-492	-570	-1,306	-1,468
Exports 11/	91	152	336	570
Imports 11/	894	1,082	1,882	2,199
Net invisibles 10/ 11/	311	360	240	161
Gross international reserves 12/				
In millions of U.S. dollars	92	213	459	684
In months of merchandise imports	1.2	2.4	2.9	3.7
External debt 13/				
(In millions of U.S. dollars)	...	3,361	3,620	4,076
(In percent of GDP)	...	156	109	91
Debt service (in percent of exports of goods and nonfactor services)	...	118	63	31
Memorandum items:				
Exchange rates (period average)				
BiH dinar per deutsche mark 14/	...	100	100	100
FR Yugoslav dinar per deutsche mark 15/	1.2	2.4	3.5	3.9
Croatia kuna per deutsche mark	3.7	3.6	3.6	3.5

Sources: Data provided by the authorities; and staff estimates.

1/ Data refer to the entire country, unless otherwise indicated.

2/ Data for industrial production in both Entities are affected by post-war instability in the sample base.

3/ Bosniac-majority area prior to November 1996, Federation thereafter.

4/ Data refer to average net wages paid in a particular period, not average earnings in that period; only firms paying wages in a particular month are included in the data.

5/ Measured in DM using the parallel market exchange rate for the FR Yugoslav dinar.

6/ Period average retail price index. Data for both Entities are affected by post-war adjustments to market pricing.

7/ Country-wide monetary aggregates.

8/ Excludes municipal government operations for Republika Srpska. Data for 1996 and subsequent years exclude military expenditures financed by external grants.

9/ No net domestic financing of the budget deficit, other than arrears, in 1996-98.

10/ Excluding official transfers.

11/ Data for 1992-93 are based on limited customs data for the Bosniac-majority area. Data for 1994-98 are rough estimates or projections for the whole territory of Bosnia and Herzegovina.

12/ Data for the whole country. Excluding earmarked funds and blocked accounts; including foreign exchange held by Payments Bureaus.

13/ Projected external debt and debt service for 1998 exclude debt relief.

14/ Official rate. Parallel rate not collected by the National Bank of BiH.

15/ YUD/DM exchange rate in the parallel market (which is also the interbank rate in the RS). The official rate exchange rate in the FR Yugoslavia was set at YUD 3.3=DM 1 from December 1995 to March 1998, and YUD 6.0=DM 1 since March 31, 1998.

## I. INTRODUCTION AND OVERVIEW

1. This document provides background information for the 1998 Article IV consultation with Bosnia and Herzegovina. The first chapter contains an overview of economic and political developments since the last consultation discussion, in August 1996, and outlines the authorities' economic strategy. Subsequent chapters describe the establishment of the Central Bank of Bosnia and Herzegovina, developments in the financial sector, and external sector developments and policies.

### A. The Political Context

2. Bosnia and Herzegovina declared independence from the former Socialist Federal Republic of Yugoslavia (SFRY) in March 1992. War in Bosnia and Herzegovina began the following month, as the country's secession was challenged by the Yugoslav National Army and other internal and external forces. Conflict also took place between the Croat defense forces (HVO) and the Army of the Republic of BH from 1993 to early 1994. Hostilities between the Army of the Republic and the HVO were ended by the Washington Agreement of March 1994, which also created the Federation of Bosnia and Herzegovina (a political union of the Bosniac- and Croat-majority regions). The broader conflict was ended by the Dayton Treaty of December 1995.

3. Reflecting deep-seated mistrust among regions, the new Constitution enacted as part of the Dayton Treaty provided for a decentralized governmental structure. The Constitution confirmed that the Republic of Bosnia and Herzegovina continued in existence within its internationally-recognized borders, but would henceforth be known as "Bosnia and Herzegovina." It stipulated that the country consists of two constituent Entities—the Federation with 51 percent of the territory (and, at least initially, about two-thirds of the population) and the Republika Srpska (RS) with the remainder. The central ("State") government has limited powers and a balanced ethnic composition, with consensus required for most decisions. Under Article III of the Constitution, the State's economic responsibilities are limited to monetary policy under a currency board arrangement, foreign trade and customs tariff policy, and external borrowing and debt service. In addition, the State is responsible for citizenship; foreign policy; immigration, refugee, and asylum policy; international and inter-Entity criminal law enforcement; common and international communications facilities; regulations of inter-Entity transportation; and air traffic control. Functions not explicitly assigned to the State are reserved for the Entities or their sub-units, except where they are necessary to carry out specific obligations under the Dayton Treaty or to preserve the sovereignty, political independence, and international personality of Bosnia and Herzegovina. The Entities, by mutual consent, may agree to expand the powers of the State.

4. The Federation also has a relatively decentralized system of government, in which substantial powers are devolved to the 10 cantons. The Federation is responsible for defense; economic policy, including planning and reconstruction within the Federation; refugees and



displaced persons; and tax and customs administration. The Federation and cantons exercise joint responsibility in a number of areas, including health, environmental policy, communications and transportation infrastructure, social welfare policy, and interior affairs. The cantons are exclusively responsible for matters not allocated explicitly to the Federation, including education, culture, housing, public services, local land use, and social transfer expenditures. A canton may delegate responsibilities to municipalities within its territory, and municipalities are granted self-rule on other local matters. In the RS, where there is no system of cantons, responsibilities are divided between the Entity and municipal governments, with the latter responsible mainly for local matters. As a result, the RS government has jurisdiction over most matters that would be handled by cantons in the Federation, such as education.

5. The Dayton Treaty provided a timetable and procedures for the early stages of the peace process. In the first weeks, an international peacekeeping force (initially the Implementation Force (IFOR), now the Stabilization Force (SFOR)), was deployed and the various local armies withdrew behind the inter-Entity boundary line. Since then military aspects of the treaty have proceeded in a generally satisfactory manner and there has been no recurrence of large-scale armed conflict. In the area of civilian implementation, however, there was relatively little cooperation between the Entities or toward the creation of State institutions in the period leading up to the first postwar elections. International organizations worked together very closely to maximize their joint effectiveness in dealing with this problem, under the leadership of the Office of the High Representative (OHR).<sup>1</sup> The most important achievements in this period were the establishment of new institutions in the Federation; partially integrating the separate wartime administrations of the Bosniac- and Croat-majority areas; initial technical assistance to strengthen implementation capacity in the RS; and the convening of a number of inter-Entity working groups on future common institutions and policies.

6. Country-wide presidential and parliamentary elections were held in September 1996, holding out an opportunity to put civilian implementation on a stronger footing. In practice, the process continued to be very slow. The first of the new State institutions to begin functioning was the three-member Presidency of Bosnia and Herzegovina, which began to meet more-or-less regularly in October 1996. In late October the Presidency concurred in the appointment by IMF Management of an expatriate Governor of the new (and at that time

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<sup>1</sup> The Office of the High Representative was established in December 1995 to oversee the implementation of the Dayton treaty, under the terms of Annex 10 of the treaty. The High Representative is the final authority regarding the interpretation of the Dayton treaty in the area of civilian implementation. The High Representative maintains offices in Sarajevo, Mostar, Banja Luka, and Brčko in Bosnia and Herzegovina, and an international secretariat in Brussels. The Office of the High Representative employs about 150 international staff, mostly on secondment from other organizations, and 250 local staff. Coordination of economic issues within Bosnia and Herzegovina takes place mainly through the Economic Task Force of the OHR and several sectoral task forces.

nonexistent) Central Bank of Bosnia and Herzegovina, and named the other three members of the Central Bank's governing board (see Chapter II). Finally, in January 1997 the State Parliamentary Assembly met for the first time to appoint a Council of Ministers. One of the first concrete actions of these two bodies was the adoption in June 1997 of the so-called "Quick-Start Package" (QSP) of key economic laws on the central bank, the 1997 budget, external debt, trade and customs tariff policies.

7. The implementation of most of the QSP laws did not begin until 1998, due in large part to a political crisis that emerged in the RS in late June, 1997. Following the resolution of this crisis and the appointment of a new RS government, there has been a marked improvement in inter-Entity cooperation and the functioning of the State institutions (though the latter still remain at an early stage of development). Also contributing to this sea-change was the decision of the December 1997 Peace Implementation Conference (PIC) that the mandate of the High Representative should be interpreted as giving him the authority to impose interim solutions for unresolved issues in State bodies. In subsequent months, the High Representative took decisions, *inter alia*, on the new State flag, the law on citizenship, currency designs, and a foreign investment law.

8. Another focus of the PIC has been on problems of governance in all regions of the country. During the war political and economic institutions of Bosnia and Herzegovina were severely disrupted and, even now, many public functions are carried out in an ad hoc manner inconsistent with existing laws. This is largely a consequence of the political and economic fragmentation of the country, which is being reversed only slowly. A preoccupation of fiscal authorities in both Entities has been to recover control of the tax base from organized criminal groups that became particularly active during the war. In cooperation with the OHR and international peacekeeping forces, the EU's customs and fiscal advisory office (EC-CAFAO) is spearheading efforts to help address these problems. The OHR is also establishing an Anti-Fraud Unit to help the authorities prosecute cases of official corruption. The Entity authorities have made numerous changes in their tax and customs administrations in recent months, in response to internal investigations and EC-CAFAO reports. Donors have expressed concern about the diversion of some assistance to purposes for which it was not intended, but neither international nor domestic investigators have found evidence of systematic corruption in the management of donor funds.

## **B. The Economic Situation and Strategy**

9. In formulating their economic program for 1998-99, the authorities in all regions of the country have indicated their commitment to an economic strategy based on the maintenance of cautious macroeconomic policies, the rebuilding of public administration, market-oriented structural reforms, and a well-coordinated reconstruction program. The strategy has three macroeconomic pillars: (i) the use of a fixed exchange rate as a nominal anchor, through the currency board arrangement; (ii) fiscal discipline, aimed initially at the avoidance of domestic borrowing by all levels of government; and (iii) large-scale external assistance on concessional terms. The highest priority structural measures for 1998-99 include

banking reform; enterprise privatization and restructuring; pension and health system reform; implementation of a simplified customs tariff system; exchange and trade liberalization; and initial steps in the strengthening of economic statistics. To address governance issues, early in the postwar period the authorities have drawn upon the assistance of the IMF, World Bank, and US government to improve budgeting and treasury management techniques; EC-CAFAO to improve and monitor the workings of the customs administrations; and these and other donors to begin reorienting the legal framework and improving statistical systems. Under the program, the authorities are to intensify these efforts and also take more direct measures to address some of the specific governance problems described above. In addition to changes in personnel, the latter include the elimination of discretionary tax and customs tariff exemptions, more even-handed and transparent approaches to payment of social benefits, technical improvements of customs and excise tax administration, and placing the customs administration and financial police of the RS under the authority of the Ministry of Finance.

10. Most of Bosnia and Herzegovina was devastated by the war and economic recovery is still in its early stages. National accounts statistics are unreliable and in the process of revisions, so that any statements about developments in national income and product are highly tentative; substantial revisions are likely in the coming year as technical assistance efforts take hold.<sup>2</sup> Real GDP is estimated to have grown by about 30 percent in 1995, 50 percent in 1996, and another 30 percent in 1997 (see Basic Indicators, and Table 1). The leading sectors have been capital expenditures (mainly reflecting the donor-financed reconstruction program—see Chapter IV) and net exports. Despite these rapid growth rates, GDP in 1997 was estimated to be only half of its level in 1990. The pickup in economic activity has been much stronger in the Federation than in the RS, due to the relative access to external assistance and, until recently, constraints on merchandise trade with the RS through the Federation and the Republic of Croatia (Table 2). Employment has risen rapidly in the Federation (Table 3) and the unemployment rate has dropped from 70-80 percent of the labor force to perhaps 30-40 percent since the end of the war. Anecdotal evidence suggests that there has been less progress in the RS; country-wide unemployment is still estimated at around 40 percent of the labor force. The unemployment problem is being exacerbated throughout the country by demobilization and the return of refugees. Wages (Tables 4-5) and social benefits in the Federation have risen much more rapidly than those in the RS since 1995.

11. As described in Chapter II, the new Central Bank of Bosnia and Herzegovina (CBBH) began partial operations in August 1997, initially only in the Bosniac-majority area of the

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<sup>2</sup> Statistical functions in Bosnia and Herzegovina are organized on a regional basis and both the compilation of country-wide statistics and measures to improve the statistical base are hampered by difficulties in inter-regional cooperation. Nevertheless, since the last Article IV consultation there has been a significant strengthening of monetary statistics, mainly as a result of extensive technical assistance from the Fund. The authorities recently agreed to establish a State Statistical Office to liaise with international institutions and help coordinate the activities of the Entity statistical institutes.

Federation. Five currencies are presently in use within the country: the BH dinar, which continues to circulate pending the introduction of banknotes in the new domestic currency, the convertible marka (KM) in June; the KM, which presently exists only as a unit of account for bank deposits and payments system transfers; the Croatian kuna (in the Croat-majority area of the Federation); the FR Yugoslavia dinar (in the RS); and the deutsche mark (DM) (throughout the country). Mirroring these arrangements, monetary developments in recent years have largely reflected developments in the balance of payments (see Chapter III). In 1996, the broad money supply expanded by over 96 percent, in connection with a surge in foreign financing, but slowed to 25 percent in 1997, as aid inflows moderated.

12. Following a wartime bout of hyperinflation, during 1994 the monetary authorities in all regions instituted policies of avoiding the use of central bank credit to finance the fiscal deficit. This policy was more immediately successful in the Federation, where the retail price index declined sharply during 1995-96, due not only to the tightening of monetary and fiscal policy, but also to the successful pegging of the domestic currency to the DM and improved access to imported consumer goods (Table 6). In the RS, inflation measured in Yugoslav dinars (YUD) continued to be affected during 1995-96 by the depreciation of the YUD exchange rate, owing mainly to economic policies in the FR Yugoslavia. However, inflation began to improve after the removal of economic sanctions on the RS and the FR Yugoslavia in early 1996.<sup>3</sup> With currencies in both Entities largely stable in terms of the DM during 1997 (Figure 1), increases in retail prices were moderate and largely reflected adjustment in official utility charges and rent (moderated in the RS by diversification of import sources following an agreement on transit trade through the Federation).<sup>4</sup>

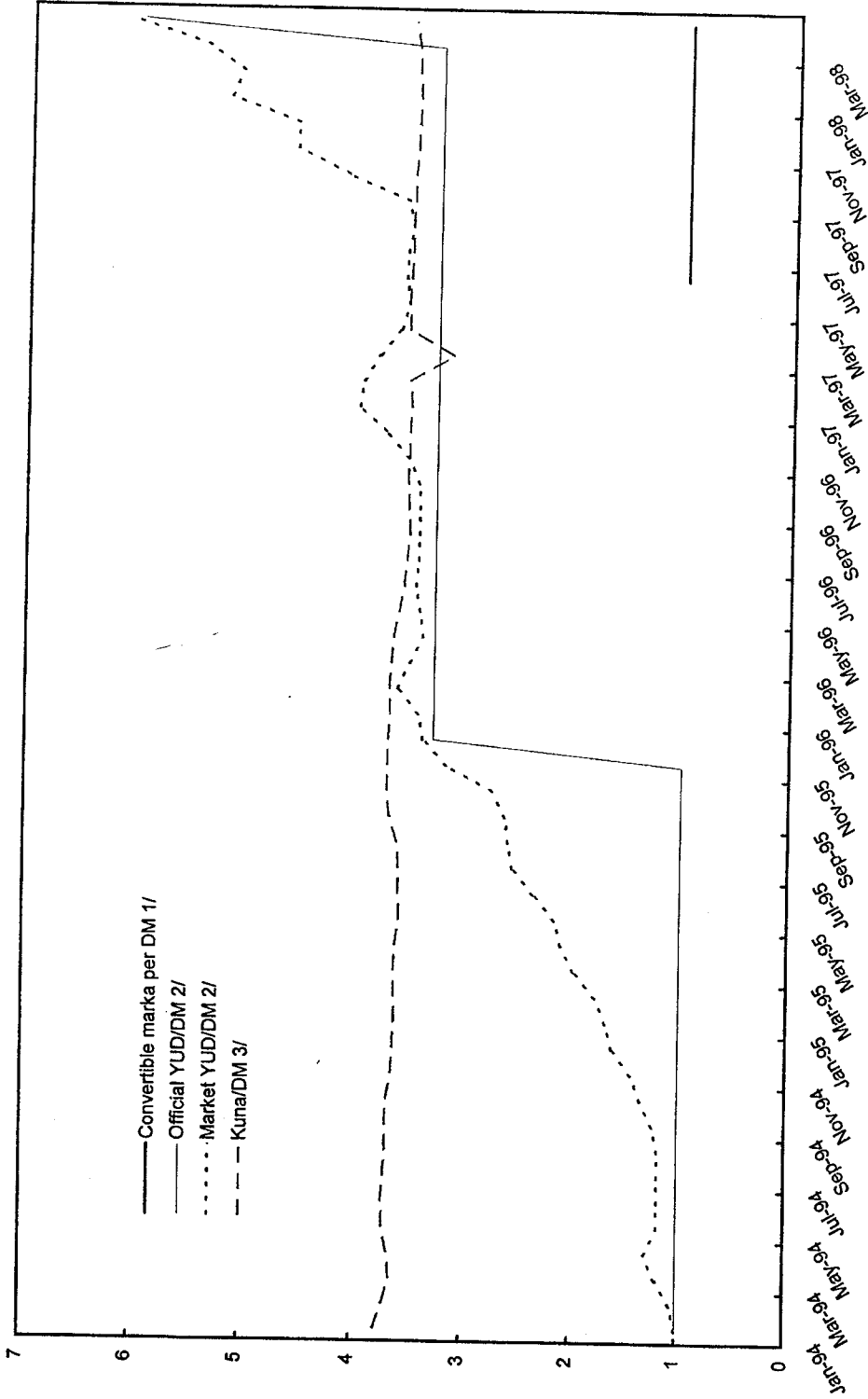
13. With its export capacity largely inoperative and facing a need for substantial imported consumer and capital goods, Bosnia and Herzegovina has experienced large current account deficits in recent years, financed mostly through official transfers and private remittances (see Chapter IV). Donors have been supportive of the authorities' US\$5.1 billion priority Reconstruction Program, but disbursements slowed somewhat during 1997, owing mainly to donors' concerns about slow implementation of civilian aspects of the Dayton treaty.

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<sup>3</sup> The RS authorities do not intervene to maintain the exchange rate of the YUD at the official rate determined in the FR Yugoslavia. Thus, the exchange rate in the interbank market in the RS is generally equal to the parallel market rate in the FR Yugoslavia.

<sup>4</sup> Data limitations preclude a meaningful quantification of movements in the real effective exchange rate (REER). Based on official exchange rates for the BH dinar and KM, which have remained fixed since mid-1994 and August 1997, respectively, a rough measure of the REER based on relative consumer price inflation would appear to have depreciated strongly in 1995-96 (when the price level fell) and appreciated in 1997. However, it is possible that the results using market exchange rates for the BH dinar and other cost/price measures would show different results, if these were available.

Figure 1. Bosnia and Herzegovina: Bilateral Nominal Exchange Rates, January 1994 - April 1998



Sources: Data provided by the authorities of Bosnia and Herzegovina, the Federal Republic of Yugoslavia, and Croatia.

1/ Prior to the introduction of the convertible marka (KM) in August 1997, the domestic currency was the Bosnian dinar with a fixed official exchange rate of 100 BHD per deutsche mark (DM) as from August 1994.

2/ FR Yugoslav dinar per DM.

3/ Croatian kuna per DM.

### C. Fiscal Policy and Institutions

14. In support of the monetary arrangements, fiscal policy at all levels of government has been based on avoiding domestic borrowing (Tables 7-10). Within this constraint, both Entities attempted during 1996-97 to restore civilian expenditure to the extent possible. In the case of the Federation, this policy was facilitated by a rapid increase in tax revenue, especially from sales, customs and excise taxes. In the RS, revenue shortfalls and lack of access to external assistance led to a decline in on-budget spending. In both Entities the balancing of the budget on a cash basis also required the accumulation of domestic and external arrears. In the context of the 1998 budgets, a wide range of domestic arrears and other claims on governments will be resolved, mainly in conjunction with the privatization process, and legislation on budget execution and the operations of the social funds is being revised to avoid further domestic arrears. In the coming years, the focus will be on improving systems of budget planning and control, defining equitable and sustainable social expenditure policies, and growth-oriented tax reform. Tax reform will be guided by the principles of: (i) applying low tax rates to broad bases, thereby minimizing distortions; (ii) harmonizing policies and administrative procedures between the two Entities; (iii) enhancing the buoyancy of the tax system; and (iv) eliminating unnecessary complexities that hinder tax administration.
15. The new fiscal institutions required under the peace treaty at the level of the State and within the Federation are not yet fully in place, although there has been progress. The Parliamentary Assembly of Bosnia and Herzegovina has adopted laws on the 1997 and 1998 State budgets, external trade, customs tariffs, and debt. In the Federation a unified customs administration and tax administration have been established. The customs administrations of the Entities have begun cooperating, with assistance from EC-CAFAO, and are preparing to implement the new State customs policy.
16. The first State budget under the postwar structure of government was adopted in 1997, but served mainly as a mechanism for channeling resources from the Federation to holdover bodies from the previous Republic of BH. In 1998 the new State institutions will become operational. The 1998 State budget provides for overall expenditures of KM 183 million, consisting of administrative costs (KM 57 million) and external debt service (KM 126 million). State government expenditures will be financed mostly by transfers from the budgets of the two Entities. For administrative costs, the respective transfers from the Entities to the State are to be paid 2/3 by the Federation and 1/3 by the Republika Srpska. The respective contributions to external debt service have been determined by a working group, by allocating debt service according to the location of the final beneficiary of the loan, insofar as such an allocation was possible. Debt that could not be allocated in this fashion was split between the two Entity budgets in the same proportions as total allocated debt.
17. In the context of the Federation budgets for 1998, the Federation fiscal system is being developed further and the remaining vestiges of the two separate wartime fiscal systems are to be eliminated. During 1996-97 unified Federation tax and customs administrations became operational, cantonal governments and administrative structures were defined, and an

assignment of revenues was agreed upon among the Federation, cantonal, and municipal governments. The unification and modernization of the tax systems also has begun, with unified tax rates adopted for wage, sales, excise, and—most recently—profits taxes. The base for the wage tax has been broadened, the number of sales tax rates reduced from 5 to 4, and collection of sales taxes on excisable goods shifted to the wholesale level. To reduce disincentives for employment, a 10 percent surcharge on wages in one part of the Federation has been eliminated and contribution rates for pension, health, and unemployment insurance are being reduced and unified. The Federation government recently discontinued ad hoc exemptions that have been granted to a number of state-owned firms for the payment of social contributions and import duties, and most other exemptions to import duties are to be eliminated as part of the implementation of the new State customs tariff regime.

18. On the expenditure side, new procedures for budget preparation and the classification of expenditures, consistent with IMF Government Finance Statistics definitions, have been introduced by the Federation and most cantonal governments in the preparation of the 1998 budget. In light of the importance of cantonal fiscal operations in the fiscal system, most cantons have been voluntarily reporting budget results to the Federation Ministry of Finance on a regular basis. Under the 1998 budget execution law, all Cantons will be required to report quarterly on their fiscal operations, with substantial penalties for non-compliance. The transparency of the fiscal system has been increased by bringing a substantial part of military expenditures on-budget in 1997 and 1998.<sup>5</sup>

19. In the RS, the 1998 budget is focusing both on ways to strengthen the revenue base and on the prioritization of expenditures. Revenue increases are expected to stem mainly from a strengthening of economic activity and improvements in tax and customs administration, drawing on technical assistance from EC-CAFAO, the IMF, World Bank, and US government. Toward this end, the RS government changed the management of the customs administration and financial police and placed them under the control of the Minister of Finance. The RS is committed to increased collection efforts for monthly tax payments and greater enforcement and auditing of tax returns. As part of this effort, the payment of excise taxes and sales taxes on excisable goods has been shifted to the wholesale level. To further

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<sup>5</sup> The largest expenditure item in each Entity's 1998 budget is for the military, with a combined total of DM 429 million (about 4 percent of GDP). While these figures reflect efforts to bring such expenditures more fully on-budget in 1997 and 1998, the budgeted figures are only slightly higher than the projected wage bill for the armed forces, suggesting that there is still a large off-budget component (financed from local revenues and external assistance). In 1995, the last year of the war, reported military expenditures were about DM 500 million (16 percent of GDP) and actual expenditures were estimated to be at least twice that size. During the Dayton Peace Conference, it was agreed that military expenditures in the Federation for 1996 would not be reflected in the central Federation budget, in view of the uncertainties associated with the withdrawal and demobilization of forces and the gradual integration of the Army of the Republic of BH and the Croat defense forces (HVO).

improve the administration of excise taxes, tax stamps have been introduced for alcohol, cigarettes, and other excisable goods. The sales tax base has been broadened through the elimination of most exemptions and the sales tax rate has been reduced from 24 to 18 percent for goods and 7 to 4 percent for services. During 1998 the Entity also has begun to benefit from external assistance to the budget, which is essential to the success of the reform effort.

## II. THE ESTABLISHMENT OF THE CENTRAL BANK OF BOSNIA AND HERZEGOVINA <sup>6</sup>

20. The Central Bank of Bosnia and Herzegovina (CBBH) began partial operation on August 11, 1998. Its establishment followed two years of intense internal debate over how to organize the new institution and define its prerogatives in policy making. While a broad consensus has been reached on these matters, the institution-building process is still under way as the CBBH continues to consolidate its credibility and expand its area of activity. This chapter presents a compact overview of the institution—its legal framework, organization, and modalities of operation.

### A. The Legal Framework

21. At the time of the signing of the Dayton Treaty in December 1995, monetary policy was under the control of three distinct monetary authorities with no overlapping jurisdictions. One domestic currency and three foreign currencies were in widespread use. The domestic currency, the BH dinar issued by the National Bank of Bosnia and Herzegovina (NBBH), circulated only in the Bosniac-majority area of the Federation. The Croatian kuna and FR Yugoslavia dinar were widely used in the Croat-majority area of the Federation and the Republika Srpska (RS), respectively. The deutsche mark (DM) was widely used throughout the country.

22. The new Constitution enacted as part of the peace accords sought to restore monetary integration by mandating that:<sup>7</sup>

*There will be a Central Bank of Bosnia and Herzegovina, which shall be the sole authority for issuing currency and for monetary policy throughout Bosnia and Herzegovina.*

*1. The Central Bank's responsibilities will be determined by the Parliamentary Assembly. For the first six years after the entry into force of the Constitution,*

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<sup>6</sup> Prepared by Alessandro Zanello. A mission from the MAE Department, led by Warren Coats, has provided indispensable assistance in the establishment of the CBBH.

<sup>7</sup> Article VII of the Constitution, Annex 4 of the Dayton Treaty. Items 2 and 3 of that article refer to the governance structure of the CBBH, and are in Section B of this chapter.



*however, it may not extend credit by creating money, operating in this respect as a currency board; thereafter, the Parliamentary Assembly may give it that authority.*

23. Thus, the Constitution not only defines a broad mandate for the CBBH but provides a framework for the conduct of monetary policy.

24. The choice of a currency board arrangement in the Dayton/Paris Treaty was motivated by the importance attached to the credibility of a nominal anchor in the uncertain postwar environment. Moreover, it reflected the need to avoid—in a fragile political system—frequent decision-making in matters of great economic sensitivity, as it would happen under an alternative arrangement with significant scope for monetary activism. The six-year period for the currency board rule is intended to permit that this decision be reexamined after a period of social and economic reintegration.

25. Lawmakers' preference for rules over discretion has found an even broader expression in the Law on the Central Bank of Bosnia and Herzegovina, which makes operational the constitutional provisions and was adopted by the Parliamentary Assembly of BH on June 20, 1997. Under that law the CBBH shall act for the first six years of its operations as a currency board issuing a new domestic currency, the Convertible Marka (KM), in exchange for DM at the fixed exchange rate of one KM per DM. The official foreign exchange reserves must provide, at a minimum, full coverage for high-powered money and must be kept almost entirely as liquid DM assets. The law does not permit restrictions on the convertibility of the domestic currency.

26. The CBBH law goes beyond this constitutionally-mandated monetary framework by carefully circumscribing the areas of CBBH jurisdiction and its instruments of monetary control. Under the law, the responsibilities of the CBBH are: to put currency into circulation; manage official foreign exchange reserves; coordinate the activities of banking agencies in the country's two constituent Entities; and promote the activities of the different payment systems in the country. The CBBH is also to be the clearing agent for interbank transactions in KM with settlement through the reserve accounts of commercial banks, and the official compiler of balance of payments statistics. Finally, the CBBH serves as a banker for the State, but is prohibited from doing so for either Entity unless both agree to such an arrangement. The only monetary instrument at the disposal of the CBBH is the imposition of (partly remunerated) reserve requirements against KM deposits at commercial banks. Bounds on the range of the legally permissible required reserve ratios (which must fall between 10 and 15 percent) constrain the scope for whatever liquidity-smoothing could be achieved under the rigid peg and liberal exchange arrangement. Within the limit of the law, the CBBH is formally independent from any level of government, including the State and Entity governments and all public agencies.

## **B. The Organizational Structure**

27. The discharge of all operational activities of the CBBH is implemented by an Executive Board—consisting of the Governor and three Vice-Governors—and supervised by a Governing Board for which the Constitution regulates the composition and the governance structure. For the first six years of its existence, the Governing Board of the CBBH will consist of a Governor and three other members appointed by the Presidency of Bosnia and Herzegovina. The Governor, who cannot be a citizen of Bosnia and Herzegovina or any neighboring state, is appointed by the Management of the International Monetary Fund in consultation with the Presidency.<sup>8</sup> The law requires that two of the remaining Board members must be from the Federation (one Bosniac and one Bosnian Croat), and the third must be a Bosnian Serb from the RS. Elaborate voting procedures, aimed at ensuring that a decision can always be reached in the deliberations of the Governing Board, are also codified in the law. Like the restrictions on the composition of the Board, these procedures are intended to apply for an initial six-year period after which they may be changed through legislative action.

28. The three Vice-Governors have responsibilities that follow functional lines within the organizational structure of the CBBH. Each heads one of the three departments (Administration, Banking and Research) that, together with the Office of the Governor and the Office of the Controller General, form the Headquarters of the institution. Headquarters operations are conducted in Sarajevo and Pale. In addition, the CBBH law mandates the establishment of a network of branch offices—“Main Units”—entrusted with the regional discharge of some of the CBBH functions. Box 1 summarizes the internal organization of the CBBH and these Main Units.

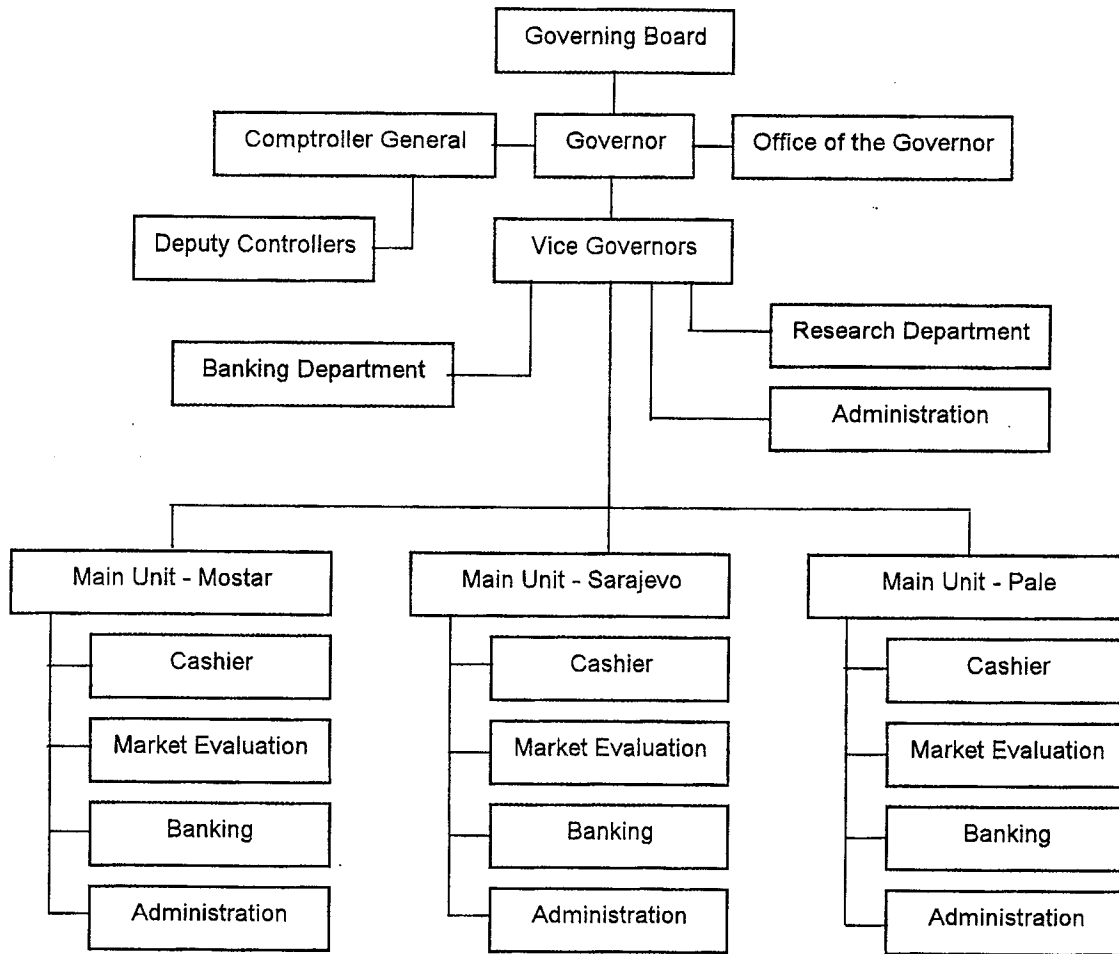
## **C. The Implementation of the New Monetary Regime**

29. Against a background of unstable political relationships and deep-rooted distrust, the design of the legal framework and organizational architecture for the new central bank has been a complex process driven by the need to find compromises among very different visions of the new monetary arrangement. In the event, the law was adopted in June 1997 and the CBBH started partial operations on August 11, 1997, initially only in the Bosniac-majority area of the Federation. On that day, the CBBH assumed from the NBBH as its own liabilities the outstanding stock of BH dinar banknotes and the required reserve deposits of commercial banks, along with their counter-value in liquid DM assets. All existing bank accounts in BH

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<sup>8</sup> Mr. Serge Robert, a former official of the Banque de France, was appointed Governor-Elect on October 26, 1996, and became the first Governor of the CBBH upon its establishment on August 11, 1997. He held that position until November 5, 1998, when he resigned and was succeeded by Mr. Peter Nicholl, the former Deputy Governor of the Reserve Bank of New Zealand.

**Box 1. Organization of the Central Bank of Bosnia and Herzegovina**



dinars were redenominated into KM, in order to begin interbank clearing on the CBBH books.

30. However, as part of this system the CBBH was exposed to the possibility of extending temporary credit to the banking system, through a settlement lag of several days for certain transactions involving the NBBH. Under these circumstances, a deposit outflow from the NBBH—which had ceased to act as a central bank but still retains limited banking functions—into a commercial bank would temporarily increase the monetary base without a corresponding increase in the foreign currency cover at the CBBH. To avoid such unintentional violation of the currency board rule, the NBBH agreed to provide a compensating deposit in foreign exchange of DM 10 million, that was expected to exceed the estimated maximum float, and undertook to increase the deposit as necessary. In the event, the arrangement failed to work as envisaged for lack of adequate monitoring and poorly defined responsibilities for its implementation, and on numerous occasions extensions of credit in excess of the compensating deposit occurred. In part because of seasonal factors, the gravest of these breaches took place on December 31, 1997 and amounted to KM 16.6 million.

31. This development was potentially damaging to the credibility of the new institution and also exposed it to financial risk, owing to the insolvency of the NBBH.<sup>9</sup> After another round of difficult negotiations, in late April 1998 the CBBH Governing Board and the NBBH agreed to implement a strategy that is intended to prevent further extension of credit from the CBBH. Under the new arrangement, most of the remaining foreign exchange assets of the NBBH have been transferred to its reserve account at the CBBH. The payments bureau has undertaken to clear transactions involving the NBBH only if there are previously sufficient funds in the reserve account to cover any net deposit outflows. Finally, an expatriate expert has been appointed as liquidator of the NBBH, and the liquidation is expected to be completed by August 1998.

32. The KM exists at present only as a unit of account, pending the introduction of new KM notes in June.<sup>10</sup> Although the KM has the status of legal tender throughout Bosnia and Herzegovina, the CBBH law envisages that foreign currencies will also continue to be used during a transitional period of uncertain duration (see Box 2). Besides the currency board assurance of strict monetary discipline, three factors, however, augur well for a broader acceptance of the new currency in the near future.

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<sup>9</sup> According to a preliminary audit by an international accounting firm, at end-1997 the liabilities of the NBBH exceed its foreign exchange assets by KM 20-25 million.

<sup>10</sup> In the part of the Federation where the interbank KM payment system is fully in place, the old BH dinar notes continue to be used for cash transactions in the domestic currency. They will be withdrawn from circulation shortly after the introduction of the new KM notes.

**Box 2. Excerpt from the Law on the Central Bank of Bosnia and Herzegovina**

Article 38: Monetary Unit

The monetary unit of Bosnia and Herzegovina shall be the "Convertible Marka", divided into one hundred "Pfeninga", the symbols for which shall be "KM" and "F" respectively. The Convertible Marka shall be issued by the Central Bank and put into circulation through its head office and main units.

The Convertible Marka shall be legal tender for payments of all public and private obligations and debt throughout Bosnia and Herzegovina. In particular, all public institutions and private individuals or enterprises must accept the Convertible Marka in settlement and payment of any obligation to them.

Only the Convertible Marka shall be used for receipts and payments of the budget and common institutions of Bosnia and Herzegovina (including payments and contributions by the Federation of Bosnia and Herzegovina and the Republika Srpska to the budget of Bosnia and Herzegovina), and in the official accounts of the common institutions of Bosnia and Herzegovina.

The budgets and the official accounts of their public institutions of the Federation of Bosnia and Herzegovina and the Republika Srpska, as well as tariffs, fees, and other charges collected on account of public utilities or public transport services, shall be denominated in Convertible Marka. In addition, other currencies may be used for these purposes as units of account.

Public officials of the Federation of Bosnia and Herzegovina and the Republika Srpska will undertake all efforts to promote the use of the Convertible Marka in the payments of all revenues and expenditures of their budgets, public agencies, and public enterprises at all levels of government. During that process, other currencies in use prior to the entry into force of this Law will continue to be used. Following the introduction of the Convertible Marka by Central Bank, the Presidency of Bosnia and Herzegovina will review these efforts every three months on the basis of an analysis submitted by the International Monetary Fund of the efforts made by the authorities to promote the use of the Convertible Marka.

Payments in transactions among physical persons, private enterprises, and mixed enterprises shall be in whatever currency the parties to the transactions agree to, including the foreign currencies which are widely circulating in the Federation of Bosnia and Herzegovina and in the Republika Srpska on the day this Law comes into force.

33. First, the imminent introduction of KM notes offers a natural venue to satisfy the growing demand for currency in what is largely a cash-based economy. In addition, the new KM notes will have slightly different design elements in the two Entities—a feature that might increase their use in communities where nationalist sentiments run strong.<sup>11</sup>

34. Second, renewed confidence in the CBBH following the resolution of the currency board violations and the deteriorating value of the Yugoslav dinar have increased the incentives to abandon the de facto monetary unions with neighboring countries for those regions which have resisted so far the use of BH dinars and KM in their interbank payments. A steady resumption in inter-Entity trade also reinforces this tendency.

35. Third, the CBBH branch network is being progressively consolidated throughout the country and made operational. The Main Units maintain inter alia the reserve accounts of the commercial banks in their area of operation, liaising as appropriate with regional payment bureaus. Thus, their establishment is necessary for the activation of a country-wide payment system in KM. Two Main Units were first opened in Sarajevo (August 1997) and Pale (September 1997), and a third was established in April 1998 in Mostar. With the imminent opening of a branch office in Banja Luka to act as another distribution point for the new currency notes, the system of regional hubs will be largely completed. As of mid-May 1998, it is expected that most commercial banks in all regions of the country will have opened reserve accounts at the CBBH through this Main Unit network.

36. Managing the introduction of the new currency is a complex task that the CBBH is in the process of finalizing. Extensive technical assistance from the international community, including from the Fund, is expected to facilitate the operation. In addition, following accession to membership in the Bank of International Settlements in December 1997, the CBBH is benefitting from bilateral advice from other central banks.

### **III. FINANCIAL SECTOR AND MONETARY DEVELOPMENTS IN 1996-98<sup>12</sup>**

#### **A. Background**

37. Upon independence in March 1992, Bosnia and Herzegovina inherited its financial sector from the former Socialist Federal Republic of Yugoslavia (SFRY). Initially, the country had a single central bank, the National Bank of Bosnia and Herzegovina (NBBH). In the

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<sup>11</sup> In several months of protracted negotiations no agreement had been reached by the three-member Presidency of BH on the design of KM “coupons,” which the CBBH law envisaged as interim notes. In the event, the High Representative exercised powers invested upon him at the Bonn Peace Implementation Conference in December 1997, rejected the idea of interim coupons, and imposed a choice of designs based on previous proposals of the Entities.

<sup>12</sup> Prepared by Philippe Marciniak.

period following the civil war outbreak in April 1992, the country's financial system imploded in stages into three separate systems, with separate monetary authorities and payments bureaus emerging in each region.<sup>13</sup> First, in May 1992, the National Bank of the Republika Srpska (NBRSS), a central bank with authority over the Serb-majority area and closely linked to the National Bank of Yugoslavia, was established. Then, in early 1993, a financial system was put in place in the Croat-majority area, supervised by a regional Ministry of Finance with close relations with the Republic of Croatia. Consequently, the authority of the NBBH ceased to extend beyond the Bosniac-majority area. In parallel, three separate payments systems emerged. Until recently, monetary policy instruments in each region were similar to those previously in use in the SFRY.<sup>14</sup> A new monetary policy framework was established in mid-August 1997, as a result of the opening of the Central Bank of Bosnia and Herzegovina (CBBH), which operates as a currency board.

38. Against this background, the unification of the financial system was granted a high priority under the Dayton Treaty. The process of financial system reform initiated since the end of the war is described below, along with the main developments of broad monetary aggregates mirroring the postwar recovery process.

## **B. Strengthening the Banking System**

### **Background**

39. A majority of publicly owned banks (hereafter, state banks) in Bosnia and Herzegovina are deeply unsound. Moreover, private banking has emerged only recently, mainly in the Federation, and remains limited in the size and scope of its operations. Most banks depend on fee income, rather than interest. Drastic reforms are urgently needed to address the insolvency crisis faced by the state banks, in order to support the country's long-term recovery and further its financial and political stability. Owing mostly to political factors, preparation of such reforms is at a more advanced stage in the Federation than in the Republika Srpska (RS).

### **Structure and recent performance of the banking system**

40. As of end-December 1997, 63 banks were operating in Bosnia and Herzegovina—including 50 in the Federation and 13 in the RS. Public enterprises were majority owners of 18 banks in the Federation as against 7 banks in the RS, and were minority owners of an additional 8 banks in the Federation. Total assets on a book-value basis amounted to DM 4.8 billion— DM 4.2 billion for the Federation and DM 0.6 billion in the RS.

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<sup>13</sup> For a further description of the financial system in the aftermath of the civil war, See *Bosnia and Herzegovina—Recent Economic Developments* (August 1996) Chapter III.

<sup>14</sup> See *Bosnia and Herzegovina—Recent Economic Developments* (August 1996), Appendices I and II as well as Section D1 below.

### *State banks*

41. The main causes underlying the weakness of the banking system in Bosnia Herzegovina are deeply rooted in the legacy of the former SFRY. Prior to independence, the foreign currency deposits held by banks in Bosnia and other former republics of the SFRY were seized by the National Bank of Yugoslavia, and are unlikely ever to be repaid. At the same time, the state banks ceased servicing their foreign obligations. These initial conditions were further aggravated throughout the country by the 1992-95 civil war, which resulted in widespread damage to productive assets, hyperinflation, and the curtailment of international lending flows through the banking system. In the RS, difficulties were compounded by the impact of international economic sanctions until their removal in early-1996. State banks in both Entities have continued operating as passive financing companies of their public enterprise owners. Under such arrangements, the largest shareholders frequently have been both the largest borrowers and depositors and have influenced bank governance. As a consequence, commercial standards for banking transactions have been mostly nonexistent. The absence of inter-Entity financial relations has also constrained the state banks' operations to narrow markets. The development of efficient and solvent state banking institutions in Bosnia and Herzegovina has also been severely impeded by the pervasive involvement of the payments bureaus in the financial system (See Section C below). As a result, the assets of state banks are largely nonperforming, and depositor confidence has virtually disappeared.
42. At end-1997, state banks controlled about 90 percent of the banks' assets at nominal book value in the Federation and even more in the RS. The state bank sector included both banks that existed before the independence in 1992 and others that were created thereafter. The former are large or medium-sized banks and mostly spin-offs of banks that operated throughout the former SFRY as part of the Privredna and Jugobanka networks. In general, their market share is larger than new banks because they have traditionally emphasized the financing of large-scale projects, international transactions, and public enterprise deposit mobilization. In the Croat-majority area of the Federation, however, the two largest state banks (i.e., Hrvatska Bank and Livno Bank) do not fit this pattern. They have smaller balance sheets and smaller amounts of nonperforming loans than the other areas' banks and have developed close links with banks in the Republic of Croatia. The other state banks created after independence are mostly small and have limited banking experience.
43. Insolvency risks appear to be concentrated in a few large state banks in the Bosniac area of the Federation and in the RS. The main assets and liabilities that burden their balance sheets include: (i) claims against the former National Bank of Yugoslavia for frozen currency deposits (about DM 4 billion); (ii) claims against enterprises on foreign borrowing from London and Paris Club creditors (about DM 3-4.5 billion); and (iii) local-currency-denominated assets, depreciated and nonperforming because of the effects of the war (about DM 1 billion). Actions were taken in 1997 to initiate the strengthening of the state banks' balance sheets. A major step toward that end was the rescheduling in December 1997 of foreign borrowing from London Club creditors, on very favorable terms. Debt relief on debt



to Paris Club and other external creditors is scheduled to take place after the adoption of a Fund-supported program. Further restructuring of the state banks' balance sheets will be closely connected to the forthcoming enterprise privatization programs. In the Federation, voucher-based enterprise privatization will be used to offset banks' liabilities on frozen foreign exchange deposits. In the Republika Srpska, the privatization strategy is still developed. In both Entities, the remaining nonperforming assets will be mostly written off. On the basis of preliminary assessments, it is widely assumed that about 90 percent of the assets of the state banks in both Entities are nonperforming. This would entail a sharp contraction of the state banks' assets and would render their capital largely negative.

44. Ongoing efforts toward establishing a market-based banking sector have been sidetracked to some extent in the RS by the creation in 1997 of the Serb State Bank (SSB) and in the Federation by the licensing in early 1998 of the Federation Investment Bank (FIB). The SSB is a chartered bank within the RS payments bureau while the FIB was initially designed to finance development projects in the Federation out of foreign credit lines secured by the Federation government. Both government-sponsored banking arrangements have been opposed by donors, mostly because of their potential implications on resource allocation and bank governance. In response and with a view to avoiding a potential source of expansion of base money under the unified KM banking system, the RS authorities have recently agreed to separate banking activities of the SSB from the traditional functions held by the payments bureau. The Federation authorities have accommodated donors' request for establishing the FIB under majority nongovernment ownership.

#### *Privately owned banks*

45. Private bank activity has been increasing steadily since the end of the war, mostly in the Federation, where 30 majority privately owned banks were operating as of end 1997 as against 3 in the Republika Srpska. In the Federation, private banks accounted for about two-thirds of the total number of banks, one third of total bank capital (at current book value), and about 5 percent of nominal bank assets. However, if the nonperforming assets of the Federation state banks were excluded, the private banks' share would rise to about 40 percent of the Federation banks' assets. Despite the increasing market presence of private banks in the Federation, their resource base has remained very narrow; most of them are small banks that were founded during the war to handle international transfers. In general, private banks have limited capital and almost no experience with lending or deposit mobilization. The EBRD has provided equity in one small private bank as part of a twinning agreement with a foreign bank.

#### **Strengthening the institutional and regulatory banking frameworks**

46. The lack of modern institutional, legal, and regulatory frameworks for banking activities on a country-wide basis has been a major obstacle to establishing a market-oriented banking system in Bosnia and Herzegovina. Banking sector legislation and supervision are primarily the responsibility of the Entities. Under the central bank law, the monetary authorities are expected to act as a facilitator for implementing harmonized laws, regulations,

and supervisory practices in both Entities, as well as unified reporting by banks and the banking agencies. The revamping of the legal framework for banking licensing and supervision in the Federation, through the creation of the Federation Banking Agency in June 1996, was instrumental in generating momentum for reform of the financial system. In parallel, throughout 1996-97, comprehensive legal frameworks for the Central Bank, commercial banks, and bank privatization were discussed in inter-Entity working groups under coordinated technical assistance from the IMF, US government, World Bank, and other donors.

47. More recently, further progress on bank reform was achieved in the Federation, with the Parliament's adoption in March 1998 of laws on *Opening Balance Sheet*, *Bank Privatization*, and the amendments to the *Banking Agency Law*. These laws are crucial to initiating the bank privatization process. In the RS, a law establishing an independent banking agency was adopted in April 1998 and laws on privatization similar to those passed in the Federation are expected to be adopted shortly. Both Entities, however, have yet to adopt key legislation on commercial banking as well as laws dealing with property rights, collateral, mortgages, and bankruptcy. These remaining laws, with coordinated provisions for the two Entities, are expected to be passed by mid-year in the Federation and shortly afterward in the RS. New common regulatory standards for banking supervision and a chart of accounts based on international standards are also due for adoption by year-end. The main features of the banking-related laws recently adopted in the Federation are summarized below.

48. The Federation *Law on Opening Balance Sheet* enacted in March 1998 provides guidelines for identifying the assets and liabilities of state-owned banks, as of end-1996, that will be removed at the time of privatization. These comprise both "neutral" assets (i.e., apartments and other fixed assets subject to restitution) and "passive" assets and liabilities. The latter include: (i) pre-war liabilities which originated through foreign borrowing and guarantees, households' frozen deposits in foreign currency, and prewar assets and liabilities in the former territories of the SFRY, including the RS; (ii) assets and liabilities owed by the State and state-owned enterprises; (iii) unpaid equity capital and (iv) war-related damages to fixed assets.

49. The Federation *Law on Privatization of Banks*, provides general criteria for selecting state banks to be privatized or liquidated and specifies the respective roles of the Federation Banking Agency (FBA) and the Ministry of Finance in this process. Under the law, only those state banks assessed as solvent on the basis of their audited and FBA-approved Opening Balance Sheet will be proposed for privatization. Ownership of solvent state banks is to be transferred to the Federation Ministry of Finance. Thereafter, privatization procedures are expected to be supervised and monitored jointly by the Ministry of Finance and the FBA. The law also sets a 28-month limit for privatizing majority state owned banks, beyond which liquidation will be required. In addition, state minority shares in banks must be disposed of within 24 months of enactment. State banks found to be insolvent following the opening balance sheet procedure will be liquidated.

50. Six amendments to the Federation *Law on the Banking Agency* were enacted at the same time as the privatization-related laws. Some of the amendments were needed in order to confirm the permanent status of the banking agency, because the agency initially had been granted only temporary status which expired with the enactment of the Law on the Central Bank in June 1997. The other amendments were aimed mainly at specifying the FBA's responsibilities during the forthcoming bank privatization process.

51. In the RS, a law establishing an independent banking agency was adopted by the Parliament in April 1998 (essentially the same as the FBA). The RS banking agency is expected to begin operations shortly with donor funding.

52. The *Law on Banks* is a strategic component of banking legislation because it defines the authority of banking agencies to supervise, rehabilitate, and liquidate banks, and also establishes criteria for the liquidation, sale, or merger of banks' assets and liabilities. Separate but virtually identical versions of this law are to be adopted this year by the two Entities.

#### **Measures for restoring confidence in the banking system**

53. The lack of confidence in the banking system is clearly evidenced by the low amount of nongovernment deposits in both Entities, about DM 700 million in the Federation and DM 100 million in the RS. Moreover, most of the deposits are held by public enterprises rather than households, and cannot be mobilized for financial intermediation. As a result, resources for lending are severely inadequate. Households' saving patterns were largely affected by the following events: (i) pre-independence and wartime hyperinflation; (ii) the seizing of foreign currency deposits by the NBY and; (iii) dissaving resulting from the loss of incomes during the 1992-95 civil war and the subsequent depressed level of economic activity. The insolvency and inefficiency of most state banks have provided further deterrents to depositors. More recently, the failure of several new private banks is likely to have reinforced the general public's deep distrust of the banking system. The authorities' strategy in both Entities for establishing a viable banking system and restoring depositor confidence over the medium term is three fold and based on: (i) strengthening bank licensing, supervision, and regulation; (ii) privatization and liquidation of state banks; and (iii) establishment of deposit insurance schemes in both Entities.

#### ***Strengthening of banking supervision***

54. Establishing an efficient and unified system for bank licensing and supervision in both Entities is a key precondition for developing a viable banking system in the medium term. Prior to the creation of banking agencies in the two Entities, such functions were performed by the banking departments within the National Bank of Bosnia and Herzegovina (NBBH) and the National Bank of the Republika Srpska (NBRSS), respectively. Further enhancement of both agencies remains contingent upon passing the commercial bank law. In the meantime, new requirements on licensing and exit criteria, loan classification, capital requirements, and limits on excessive risk taking which are in line with international standards are under

preparation in both agencies, and are expected to take effect as soon as the law on commercial banks is passed.

### ***Strategy for bank privatization***

55. The bank privatization strategy in the Federation, reflected in the three recently-adopted banking laws calls for government withdrawal from banking activities through privatization of the solvent state banks or liquidation of the insolvent ones. Owing to tight fiscal constraints, additional government resources or guarantees will not be used in conjunction with bank privatization. The Federation Ministry of Finance will take over the carved-out assets and liabilities after write-offs; outstanding and newly issued shares will be sold for cash but proceeds for the budget are expected to small.

### ***Deposit insurance***

56. There is currently no deposit insurance scheme in force in either the Federation or the RS. In addition, in the face of a number of recent bank failures the Entities have resisted ad hoc compensation of depositors. The establishment of a deposit insurance agency is under consideration in both Entities. The main rationale for introducing a common deposit insurance system in both Entities would be to restore depositor confidence. The envisaged scheme would be limited to private banks meeting certain minimum standards (for which it would be voluntary) and foreign banks (for which it could be mandatory). An initial capital contribution would be provided by donors, in order to hold the levy on insured deposits to a reasonable level.

## **C. Payments System Reform**

57. During the 1992-95 civil war, the comprehensive network of payments bureaus was split into three separate payments systems. Like the banks, the payments bureaus in most parts of the country have continued their operations according to pre-independence organizational and procedural frameworks; in the RS there have been reforms in line with those introduced in the FR Yugoslavia (which, inter alia, are intended to establish a real-time gross settlement system for large-value transactions). Payments bureaus are government-controlled clearing and settlement agencies. Their primary task is to ensure payments among resident *legal entities* (i.e. enterprises, banks, and various government levels), although they carry out such function for physical persons as well. The payments bureaus also perform major treasury functions for various levels of government (i.e., State, Entities, special funds, cantons, and municipalities), such as tax collection, auditing, and servicing of fiscal expenditures. All transactions among legal entities are carried out through a network of giro accounts, which also provide key information for central control of the financial sector. As government monopolies, payments bureaus have generally lacked adequate transparency and also have deprived banks of much-needed liquidity and resources for lending, thereby impeding the development of a modern interbank market.

58. The authorities have recognized the need to move in the medium term toward a more competitive payments system, along the lines of those in industrial countries. However, the authorities have justified a cautious pace of reform in this area by citing the need to preserve the information and control networks provided by payments bureaus; these are one of the few financial institutions that still operate relatively efficiently within each region of the country. During wartime, inter-area transactions were settled through correspondent banks abroad, or in cash. Reforms implemented during the period 1995-97 were aimed at strengthening the linkages between the three regional payments systems, but even within the Federation the systems have thus far remained short of a full unification. A first breakthrough was achieved in November 1995 when the payments systems in the two areas of the Federation were linked again, through weekly direct cash settlement in deutsche mark of net balances between the two areas. Further progress toward unification of the Federation payments bureaus took place in February 1996 with the adoption of a law establishing a Federation payments bureau. The Federation payments bureau received World Bank support and initiated operations in mid-1996 under dual and regionally-based management frameworks and with common procedures. To date, however, the payments systems in the Bosniac- and Croat-majority areas of the Federation have remained distinct, mostly because these areas continue to use different currencies. Agreement to establish a DM cash clearing mechanism between the Federation and the RS was reached in June 1996 and implemented in November 1996. Further linkages between the two Entities have been largely prevented by the direct linkages between the RS and FRY payments bureaus, which constrained legal entities to hold only YUD-denominated<sup>15</sup> giro accounts with the RS payments bureau. This obligation was lifted in April 1998, when all restrictions on the use of convertible foreign currencies (such as the DM) for domestic transactions in the RS were removed. In-depth reforms of the payments bureaus are expected to take place in the near future, as soon as a sound banking system is established.

#### **D. Recent Developments in Monetary Aggregates**

##### **Monetary authorities**

59. In effect, three separate monetary arrangements were in place in Bosnia and Herzegovina until the opening of the CBBH in mid-August 1997. As called for under Article 72 of the Central Bank Law, the NBBH in the Bosniac-majority area, the NBRB in the Republika Srpska, and the Ministry of Finance in the Croat-majority area ceased to function as monetary authorities at that time. Although the CBBH is now the sole monetary authority, for statistical purposes the monetary authorities also include some Federation payments bureau accounts, thereby capturing foreign assets under the control of the CBBH or commercial banks. Moreover, because under the new monetary arrangements the State Ministry of Foreign Trade has become the fiscal agent for the country's relations with the Fund, with the CBBH as the depository, transactions with the Fund are recorded as off-balance sheet items

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<sup>15</sup> YUD, Yugoslav dinar.

by the CBBH. In this new analytical framework, the NBBH and NBRS have been reclassified as deposit money banks, with the NBBH awaiting liquidation shortly.

60. Through the period from mid-1994 to August 11, 1997, the Bosniac-majority area relied on a fixed exchange rate arrangement for the BH dinar, issued by the NBBH. Because this system featured the virtual avoidance of credit from the NBBH to either the government or nongovernment sectors, it bore considerable resemblance to a currency board arrangement. The latter was instrumental in establishing an experience for the CBBH authorities to draw upon in establishing the currency board. In contrast, monetary policy under the Ministry of Finance in the Croat-majority area of the Federation and the NBRS until recently was based on the use of foreign currencies—the Croatian Kuna, and the Yugoslav dinar (YUD), respectively. Widespread use of the deutsche mark for domestic transactions has also been a common feature of all three regions. In all three areas, monetary restraint has been applied through drastic constraints imposed by the monetary authorities on bank financing of fiscal imbalances and on banks' access to refinancing.

61. As of July 1997, total assets of the monetary authorities as defined above amounted to DM 969 million, with foreign assets accounting for DM 820 million and claims on Entity governments for most of the remainder. Monetary authorities' foreign assets grew by DM 523 million during the period from end-1995 to end-July 1997, reflecting primarily a surge in foreign assistance, particularly in the Federation. In contrast, credit to the Entity governments peaked in mid-1996 and gradually declined thereafter, when both Entities began adhering more strictly to the fiscal stance of zero domestic financing of fiscal imbalances. At the time of the opening of the CBBH, claims on Entity governments totaling DM 107 million remained on the books of the NBBH and the NBRS, of which DM 43 million and DM 64 million was owed by the Federation and RS governments, respectively (Tables 12 and 13). On the liability side, reserve money (i.e., mostly BH dinars in circulation and bank deposits in BH dinars with NBBH) more than doubled during 1996, and remained broadly stable in 1997 through the opening of the CBBH. Reserve money accounted for about one-third of total liabilities as of end-July 1997. Entity government deposits also experienced a significant growth, mirroring mostly the buildup in foreign assets, and accounted for about 40 percent of total liabilities as of end-July 1997. Nongovernment demand deposits in foreign currency remained broadly stable during the period 1996 to end-July 1997. Foreign liabilities, predominantly short-term<sup>16</sup>, remained moderate throughout the same period; about half of total foreign liabilities were incurred by the purchase made in December 1995 under the IMF's policy on emergency post-conflict assistance. The remainder largely reflected liabilities incurred by the NBRS vis-a-vis the National Bank of the FR Yugoslavia.

62. Upon the establishment of the CBBH in August 1997, foreign assets amounting to DM 133 million were transferred by NBBH to CBBH to ensure full coverage of the newly

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<sup>16</sup> NBRS liabilities to the National Bank of FR Yugoslavia include YUD notes on consignment from the latter until issued in the RS against deutsche marks.

created currency, the convertible marka (KM) (Table 11). The nonmonetary assets also transferred at that time included mostly foreign exchange held in connection with foreign aid operations. Because of unanticipated fluctuations in monetary liabilities stemming from accounting linkages between CBBH and NBBH, currency coverage deteriorated in December 1997 (See Chapter II). The authorities soon expect to restore full coverage of the currency after the remaining foreign assets of the NBBH are transferred to the CBBH.

### **Deposit money banks**

63. Consolidated banking sector assets (at book value) in Bosnia and Herzegovina amounted to DM 4.8 billion at end-1997 (Table 14), of which DM 3.6 billion (Table 15) was concentrated in the Bosniac-majority area of the Federation, with the remainder about equally distributed between the Croat-majority area of the Federation and the Republika Srpska (Tables 16, 17 and 18). The bulk of banking sector assets is comprised of domestic assets, mostly claims on nonfinancial public enterprises that are nonperforming. The apparent recovery of domestic assets for commercial banks in all three areas during 1996-97 largely reflected the capitalization of interest on nonperforming loans. Despite a 50 percent increase during that period, the banking sector's foreign assets accounted for about only 16 percent of its total assets as of end-1997. In contrast to the asset side, foreign liabilities, mostly long-term, accounted for about two-thirds of total liabilities at end-1997 and were highly concentrated in the Bosniac-majority area of the Federation. Total deposits almost tripled after the end of the war, totaling about DM 1 billion at end-1997. This increase was mostly driven by enterprises, was roughly shared between demand and time and savings deposits. However, the ratio of bank deposits to GDP in the whole country remains below 10 percent, which is significantly lower than in most transition economies where the ratio hovers around 50 percent. Refinancing credit from the monetary authorities has remained broadly stable since end-1995, reflecting the monetary authorities' strict policy stance.

64. Interest rates levied in both Entities are freely determined by the banks, although they have played little allocative role. In addition, given the predominant reliance of the monetary authorities on reserve requirements to control bank liquidity and the absence of open market operations, NBBH and NBRS rediscount rates have had a limited impact on market-determined interest rates. All interest rates have declined sharply since the end of the war, in response to the sharp deceleration of inflation in recent years (Tables 22 to 25). Given the low levels of inflation experienced in 1996-97, interest rates have become highly positive in real terms.

### **Monetary survey**

65. The country's stock of broad money almost doubled during 1996, with about two-thirds of the increase stemming from narrow money (Table 19), or about twice the increase in nominal GDP. This reflected an acceleration in BH dinar currency in circulation, together with a significant increase in BHD demand deposits. The rapid remonetization process was in response to increasing money demand as the supply of goods improved sharply. At the same

time, smooth foreign exchange allocation and further liberalization of the exchange system in the Federation, together with strict constraints on government borrowing, contributed to an easing of inflationary pressures. On the asset side, the increase in broad money was primarily driven by the strong recovery in net foreign assets of the monetary authorities and commercial banks, owing both to private inflows and disbursements of external assistance. During the same period, net credit to Entity governments contracted by about 50 percent, reflecting a strong recovery in foreign assistance-related deposits. This was despite a DM 22 million increase in borrowing from NBBH by the Republic of BH government in May 1996, as an exception to the policy of avoiding any financing of fiscal deficits by the monetary authorities. However, the increase in claims on nongovernment during 1996 more than matched the decline in net government claims. Growth in broad money tapered off in 1997 to 25 percent. The contraction in narrow money (13 percent) during 1997 was more than offset by an increase in quasi-money (38 percent). In contrast to the previous year, claims on nongovernment were the main force driving money growth in 1997. Net foreign assets declined slightly as aid inflows slowed while import demand remained high.

66. Based on information available until the opening of the CBBH, growth of broad money showed widespread disparities among areas, mirroring mostly the impact of foreign assistance flows (Tables 20 and 21). The contrast between Entities was particularly noticeable in 1996, with broad money stock rising by 113 percent in the Federation as against a 5 percent decline in the RS (Table 21). Broad money experienced a remarkably strong recovery during 1996 in the Bosniac-majority area (160 percent), about four times faster than in the Croat-majority area of the Federation (Table 20). In contrast, during the first seven months of 1997, broad money rose only by 10 percent in both areas of the Federation, while in the Republika Srpska it grew by 119 percent.

#### **IV. EXTERNAL SECTOR DEVELOPMENTS AND POLICIES <sup>17</sup>**

##### **A. Data Limitations**

67. Bosnia and Herzegovina does not produce comprehensive balance of payments statistics consistent with the Fifth Edition of the Balance of Payments Manual. The production of such statistics is complicated by the wartime fragmentation of the statistical reporting network, the difficulties of resuming cooperation between the Entity statistical institutes, and the use of different currencies in different regions. The Federation Statistical Institute in Sarajevo produces partial, customs-based data for merchandise trade of the Federation (Table 1). Merchandise trade data for the Republika Srpska (RS) are compiled, but not published, by the RS customs administration. The National Bank of Bosnia and Herzegovina (NBBH) produced, through June 1997, a monthly survey of cash flow in the banking system of the Bosniac-majority area. These data, as well as ad hoc surveys of banks in Croat-majority area, information on reserves of the RS, and supplementary estimates provided by the UNHCR on

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<sup>17</sup> Prepared by Zia Ebrahim-zadeh.



humanitarian aid, have been used by the IMF staff as the basis for rough balance of payments estimates.

### **B. Balance of Payments Developments, 1996-97**

68. The balance of payments of Bosnia and Herzegovina is largely driven by inflows of foreign assistance for the reconstruction of the economy, as well as the capacity for accumulating arrears on external debt obligations (Table 2). Since the end of the war the emphasis in external financing has shifted from humanitarian assistance toward rebuilding infrastructure and jump-starting the economy. At the first donors' conference in December 1995, the authorities presented a priority Reconstruction Program, developed in cooperation with the World Bank, EU, EBRD, and Fund staffs, which called for US\$5.1 billion of external assistance during 1996-99. During 1996-97 aid commitments were roughly consistent with this goal, at US\$3.1 billion, mainly in the form of grants and concessional loans. A remarkable US\$1.1 billion was actually disbursed in 1996, but disbursements for 1997 slowed to an estimated US\$0.7 billion, owing mainly to donors' concerns about slow implementation of civilian aspects of the Dayton treaty. Further commitments of US\$1.25 billion were mobilized for 1998 at a donor meeting in May 1998.

69. The current account deficit is estimated to have risen from an average of US\$0.5 billion a year in 1994-95 (excluding official transfers) to US\$ 1.4 billion a year in 1996-97, equivalent to about 30 percent of GDP. This reflected sharp increases in imports associated with the reconstruction effort and a pick-up in demand for imported consumer goods. Exports more than doubled in 1996 (from a very low base) and rose by a further 70 percent in 1997, reflecting a gradual improvement in transportation infrastructure and an upturn in domestic production. Imports rose by 75 percent in 1996, mainly reflecting the reconstruction program, but expanded by "only" 17 percent in 1997 as aid disbursements slackened somewhat. Reconstruction related imports accounted for 42 percent of the total imports in 1996 and 31 percent in 1997, while humanitarian imports accounted for 13 percent and 16 percent, respectively. Receipts from exports and private and official transfers, as well as services (including local expenditure by UN agencies, SFOR, and other international organizations) financed the remaining cash imports and contributed to increase in gross reserves (mainly in the commercial banking system). External payment arrears on debt service obligations declined in 1996 by some US\$125 million, as the country settled US\$475 million in arrears owed to the World Bank while accumulating arrears to bilateral official and commercial creditors. In 1997, the continued nonpayment of debt service to these groups, pending discussions on debt relief, led to a further US\$306 million arrears accumulation.

### **C. Foreign Trade, Tariff, and Customs Administration**

70. With the outbreak of the war in early 1992, the country's unified trade system and customs administration ceased to exist. The post-war disarray of ethnically split customs administration of the two Entities had provided ample scope for fraud and evasion of customs duties. The two Entities had been implementing separate external trade policies and

procedures, both of which were modified versions of the laws of the former SFRY. In the RS, the trade laws and regulations were based on those of the FR Yugoslavia, while in the Federation they were patterned on the laws of the Republic of Croatia. The legal framework, which was broadly similar in both Entities, included licensing requirements and had classified exports and imports into three categories: those that were exempted from restrictions, those that required license, and those that were subject to quotas. However, by early 1996 the Federation had introduced some additional measures to liberalize its trade regime, including the elimination of quotas, taxes, tariffs, and special licences for exports, and the elimination of quantitative restrictions on imports other than licensing requirements for a few categories of goods (mainly pharmaceuticals, weapons, and certain types of livestock and agricultural goods). In the RS, however, quotas remained in place on exports and imports of certain products (notably foods, tobacco, alcoholic beverages, and fuels) and export of certain raw materials were subject to taxes.<sup>18</sup>

71. During the war three separate customs administrations were established, under the control of the wartime fiscal administrations and armies. In 1996, the two customs administrations in the Federation were unified and the Federation adopted a free-trade zone with the Republic of Croatia.<sup>19</sup> For imports from other countries, the Federation adopted the tariff rate structure of Croatia, with an average tariff rate of 13 percent (including surcharges). The RS maintained its separate customs administration and adopted the FRY tariff structure averaging about 29 percent.<sup>20</sup> Both Entity governments had imposed a variety of trade taxes, duties, and excise taxes while granting a large number of ad hoc duty exemptions.

72. In June 1997, the State Parliament adopted laws relating to the external trade regime and customs tariff policy, in an effort to provide the country with unified foreign trade and customs tariff policy as mandated under the Dayton treaty. The tariff rate schedule devised in conjunction with the June 1997 customs tariff policy law was extremely complex and was never implemented in either Entity. In early 1998 a simpler customs tariff rate system was adopted, as described below.

73. The foreign trade law provides for a liberal trade system for the country as a whole, guaranteeing free movement of imports and exports without quantitative restrictions. The law envisages nondiscriminatory treatment of imports by requiring that imported products be subject to the same legal and tax conditions as those produced locally. However, the law permits the State to impose temporary restrictions on import, export, and transit of certain

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<sup>18</sup> Products subject to export taxes included livestock, meat, dairy produce, products of the milling industry, tobacco products, ores, slag, and ash, works of art, and antiques.

<sup>19</sup> Imports from Croatia are exempt from customs duty, but are subject only to 1 percent tax.

<sup>20</sup> Imports from the FRY are exempted from customs duty, but are subject only to 1 percent tax.

goods for public health and security reasons. Under this law, foreign trade policy is defined by the Ministry of Foreign Trade and External Relations (MFTER) in cooperation with the Entities. Accordingly, the MFTER will in the future represent the country in trade negotiations with foreign countries and other international bodies. The two Entity governments are, however, responsible for the effective implementation of the trade regulations in the areas under their control. The Entities are also required to supply the MFTER with the necessary trade statistics.

74. The law on customs tariff policy lays down the basic framework of country-wide procedures for clearing goods and passengers and defines customs territory. The law authorizes the State Council of Ministers to introduce changes to the list of the dutiable imports and the individual tariff rates. At the same time, it requires the Entity governments to cooperate with the COM and to implement the customs regulations and supervision in the areas under their control. The simplified tariff structure adopted in early 1998 involves only four tariff rate categories (0, 5, 10, and 20 percent), and requires the elimination of Entities' tariff surcharges and preferential trade agreements with neighboring countries. As a result of this revision and taking into account the elimination of the preferential agreements, the average tariff rate in the Federation is expected to rise from 4-5 percent to 7-8 percent (excluding, however, the existing import surcharges), while the average tariff rate in the RS would decline from 14-15 percent to 7-8 percent.

#### **D. Stock of External Debt <sup>21</sup>**

75. The total external debt of Bosnia and Herzegovina, including outstanding external payment arrears and late interest, was estimated to be US\$4.1 billion at end-1997 (Table 3), equivalent to over 90 percent of GDP. Arrears totaled US\$ 2.4 billion, with arrears to Paris Club and London Club creditors each amounting US\$0.7 billion. Debt owed to multilateral institutions accounted for some 26 percent of total debt, the Paris Club for a further 22 percent, and the London Club for 28 percent.

76. Despite difficult conditions, the authorities made efforts in 1996 and 1997 to normalize the country's relations with all creditors.<sup>22</sup> Bosnia and Herzegovina succeeded to membership in the IMF in December 1995, after clearing its arrears to the IMF, and immediately became the first member to make use of IMF resources under its policy on emergency assistance for post-conflict countries. Bosnia and Herzegovina subsequently succeeded to membership in the World Bank on April 1, 1996 and repaid its arrears to the Bank on June 14, 1996. In 1997, in response to a request from Paris Club, the authorities formally accepted bilateral debt obligations to Paris Club creditors as a successor state of the former SFRY; this constituted a

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<sup>21</sup>These estimates have been made on the basis of partial data provided by the ex-NBBH and the State Ministry of Finance and supplemented by information from creditors.

<sup>22</sup>Arrears to the Fund were cleared as BiH joined the Fund on December 20, 1995.

first step toward Paris Club debt consolidation. Also, having received from London Club creditors a waiver of the "joint and several liabilities" clause under the New Financing Agreement with the former SFRY agreed in 1988, an agreement in principle was signed in June 1997, on a restructuring of the London Club debt. The agreement was finalized in December 1997 and became effective in January 1998<sup>23</sup>.

77. In August 1997, Bosnia and Herzegovina adopted a State foreign debt law to establish, *inter alia*, a procedure for transfer of resources from each Entity to the State budget for the purpose of servicing the country's external debt. In view of the difficulties encountered in 1997 and early 1998 in servicing external obligations in a timely manner, the authorities in both Entities recently agreed to make automatic transfers to State accounts at the Central Bank of Bosnia and Herzegovina equivalent to 1/12 of the total annual external debt service obligation.

### E. Exchange System

78. As described in Chapter II, the new domestic currency of Bosnia and Herzegovina is the convertible marka (KM), issued by the Central Bank under a currency board arrangement. The exchange rate is fixed by law at 1:1 with the deutsche mark. The Central Bank law stipulates that the convertible marka shall be freely convertible into DM, and that no restrictions shall be imposed on the making of payments and transfers for international transactions (other than restrictions that may be required, pursuant to internationally-mandated economic sanctions). This constitutes a considerable simplification of the previous exchange arrangements, maintained by the National Bank of BH and the National Bank of the RS, which entailed restrictions on payments for both current international transactions and capital transactions, as well as foreign exchange surrender requirements.

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<sup>23</sup>The consolidated debt was inherited from the former SPRY and included obligations under the New Financing Agreement of 1988 (NFA); the alternative participation instruments (APIs) issued under the Exchange Agreement of September 30, 1988; and interest deposits under the Trade and Deposit Facility Agreement (TDFA) of September 20, 1988. The restructured obligations amounted to US\$ 400.4 million. The principle is to be repaid in two portions: a "basic amount" equivalent to 37.5 percent of the total; and a "performance amount" equivalent to the remaining 62.5 percent. Bosnia and Herzegovina is to issue DM-denominated bonds equivalent to US\$150.2 million (the basic amount) that may be listed on the Luxembourg Stock Exchange. The bonds are repayable over 20 years with 7 years grace and graduated amortization payments, with interest rates starting at 2 percent per year during the first four years, 3½ percent per year during the next three years, and LIBOR plus 13/16 thereafter. The performance amount would be added only if GDP per capita reached at least US\$2,800 (measured at 1997 prices) in two consecutive years during the period beginning in the seventh year after the issuance of the of the bonds and ending with the twentieth year.

Table 1. Bosnia and Herzegovina: Gross Domestic Product by Entity and Broad Sectoral Activity, 1994-97

	1994			1995			1996			1997		
	Federation	RS	BiH	Federation	RS	BiH	Federation	RS	BiH	Federation	RS	BiH
(In percent of GDP)												
Agriculture, fisheries and forestry	31.6	39.9		22.6	30.2		16.4	32.0		13.6	32.7	
Industry	18.2	28.6		21.1	31.3		19.4	26.6		21.4	22.3	
Water management	0.1	0.1		0.1	0.1		0.1	0.1		0.1	0.1	
Construction	2.8	1.8		3.6	1.6		4.3	4.2		4.9	4.5	
Services	47.4	29.6		52.7	36.8		59.7	37.1		60.0	40.4	
Transportation and communications	6.0	4.4		6.3	5.7		6.5	6.3		6.1	6.3	
Trade	18.5	7.6		25.4	6.8		19.8	7.8		19.6	9.8	
Catering and tourism	1.9	2.1		2.3	2.1		2.6	2.4		2.6	2.8	
Crafts	1.2	0.7		1.8	0.8		3.0	0.8		2.8	0.8	
Communal services	0.9	0.9		0.9	1.1		2.1	1.0		2.2	1.1	
Education and research	...	2.9		2.1	3.8		5.8	2.3		5.6	3.5	
Health Care	...	3.5		2.0	4.2		4.6	2.3		4.9	2.9	
Banking and insurance	2.6	2.6		2.2	5.3		3.5	5.0		4.3	6.4	
Government administration	12.0	4.9		6.0	7.0		7.1	9.2		7.4	6.8	
Other services	4.3	...		3.6	...		4.7	...		4.5	...	
GDP (at current market prices)	100.0	100.0		100.0	100.0		100.0	100.0		100.0	100.0	
(Annual percent change)												
Agriculture, fisheries and forestry	...	...		-1.1	-39.5		5.9	27.3		0.5	25.2	
Industry	...	...		59.5	-12.2		34.7	1.3		33.4	2.7	
Water management	...	...		40.4	-27.0		193.0	18.2		16.5	17.6	
Construction	...	...		78.9	-19.4		76.8	128.2		38.1	32.3	
Services	...	...		53.5	...		65.5	...		21.8	...	
Transportation and communications	...	...		46.0	4.7		50.9	31.9		13.0	23.1	
Trade	...	...		89.4	-28.3		13.9	37.4		20.0	54.6	
Catering and tourism	...	...		63.6	-19.9		69.6	37.6		20.5	45.5	
Crafts	...	...		100.0	-9.6		147.2	18.1		12.7	25	
Communal services	...	...		39.9	-9.0		244.0	8.3		27.0	47.3	
Education and research	...	...		...	2.6		299.3	-26.7		17.0	85.1	
Health Care	...	...		...	-3.1		231.2	-36.5		30.2	55.9	
Banking and insurance	...	...		17.2	65.0		127.1	12.1		49.4	58.3	
Government administration	...	...		-30.4	14.7		71.0	56.8		27.2	91.2	
Other services	...	...		17.2	...		89.9	...		14.8	...	
GDP (at current market prices)	...	...		38.1	80.1		46.0	19.3		21.3	22.8	
Memorandum items												
GDP in millions U.S. \$ 1/	1,008	956	1,964	1,392	765	2,157	2,032	1,295	3,327	2,464	1,991	4,455
(Annual percent change)	...	...	...	38	-20	10	46	69	54	21	54	34

Source: Data provided by the authorities of the Federation and the Republika Srpska; and staff estimates.

1/ GDP estimates for the Republika Srpska include staff adjustments to the official estimates, reflecting the widespread use of parallel market exchange rates in domestic transactions as well as sizeable unrecorded trade activities.

Table 2. Bosnia and Herzegovina: Industrial Production, 1994-Feb 98 1/

		Republika Srpska			Federation		
		Dec 1994 = 100	Monthly percent change	Percent change relative to year before	Dec 1994 = 100	Monthly percent change	Percent change relative to year before
1994	Jan	98.5	...	...	41.5	...	...
	Feb	114.2	15.9	...	43.1	3.7	...
	Mar	171.5	50.2	...	61.4	42.6	...
	Apr	172.6	0.6	...	60.1	-2.1	...
	May	160.5	-7.0	...	43.1	-28.3	...
	Jun	162.5	1.2	...	69.5	61.3	...
	Jul	142.7	-12.2	...	31.0	-55.4	...
	Aug	132.7	-7.0	...	106.7	244.2	...
	Sep	110.3	-16.9	...	80.9	-24.2	...
	Oct	103.8	-5.9	...	82.4	1.9	...
	Nov	106.3	2.4	...	111.9	35.8	...
	Dec	100.0	-5.9	...	100.0	-10.7	...
1995	Jan	80.1	-19.9	-18.7	93.7	-6.3	125.7
	Feb	103.2	28.9	-9.6	115.5	23.3	168.3
	Mar	115.5	11.9	-32.6	161.3	39.6	162.6
	Apr	122.0	5.6	-29.3	189.8	17.7	215.9
	May	137.9	13.0	-14.1	244.7	28.9	468.0
	Jun	115.1	-16.5	-29.1	221.0	-9.7	218.1
	Jul	95.0	-17.5	-33.4	409.3	85.2	1,220.1
	Aug	135.6	42.8	2.2	409.3	0.0	283.6
	Sep	108.9	-19.7	-1.3	356.9	-12.8	341.4
	Oct	99.3	-8.8	-4.4	425.1	19.1	415.8
	Nov	112.8	13.6	6.1	575.1	35.3	413.8
	Dec	152.6	35.2	52.6	464.7	-19.2	364.7
1996	Jan	110.8	-27.4	38.3	501.9	8.0	435.6
	Feb	121.0	9.2	17.1	569.1	13.4	392.6
	Mar	135.3	11.9	17.1	600.4	5.5	272.3
	Apr	141.3	4.4	15.8	599.8	-0.1	216.0
	May	143.4	1.5	4.0	619.6	3.3	153.2
	Jun	111.0	-22.6	-3.6	649.3	4.8	193.8
	July	111.5	0.5	17.4	731.1	12.6	78.6
	Aug	116.1	4.1	-14.4	704.3	-3.7	72.1
	Sep	148.6	28.0	36.5	740.2	5.1	107.4
	Oct	157.7	6.1	58.7	761.0	2.8	79.0
	Nov	163.8	3.9	45.2	797.5	4.8	38.7
	Dec	194.1	18.5	27.2	862.1	8.1	85.5
1997	Jan	140.7	-27.5	27.1	833.6	-3.3	66.1
	Feb	154.2	9.6	27.5	801.1	-3.9	40.8
	Mar	174.5	13.1	28.9	899.7	12.3	49.8
	Apr	170.1	-2.5	20.4	832.2	-7.5	38.7
	May	127.6	-25.0	-11.0	821.4	-1.3	32.6
	Jun	146.7	15.0	32.2	910.9	10.9	40.3
	July	173.1	18.0	55.2	814.3	-10.6	11.4
	Aug	164.9	-4.8	42.0	897.4	10.2	27.4
	Sep	195.4	18.5	31.5	950.4	5.9	28.4
	Oct	227.6	16.5	44.4	1,018.8	7.2	33.9
	Nov	240.8	5.8	47.0	1,021.8	0.3	28.1
	Dec	240.8	0.0	24.1	1,118.9	9.5	29.8
1998	Jan				898.5	-19.7	7.8
	Feb				999.1	11.2	24.7

Sources: Data provided by State Statistical Office and Statistical Office of Republika Srpska.

Table 3. Bosnia and Herzegovina: Employment in the Federation, 1994-Jan. 98

	Total		Material Sphere		Nonmaterial Sphere 3/	
	Employed	Waiting 2/	Employed	Waiting	Employed	Waiting
1994 Dec 1/2/	143,952	...	113,701	...	30,251	...
1995 Dec 1/2/	220,396	...	172,085	...	48,311	...
1996 Dec	244,488	94,168	170,102	93,034	74,386	1,134
1997 Jan	245,429	92,752	170,582	91,846	74,667	906
Feb	245,980	92,701	171,030	91,736	74,960	965
Mar	247,155	90,705	172,181	89,716	74,974	989
Apr	244,438	91,592	169,201	90,584	75,237	1,008
May	246,165	90,706	170,608	89,708	75,557	998
Jun	247,327	89,946	170,642	89,038	76,685	908
Jul	250,030	87,354	173,023	86,480	77,007	874
Aug	250,421	87,010	173,363	86,140	77,058	870
Sep	251,382	88,411	173,869	87,615	77,513	796
Oct	252,755	87,768	174,629	86,890	78,469	535
Nov	251,217	89,287	172,695	88,416	78,522	871
Dec	252,580	87,781	173,790	86,979	78,790	802
1998 Jan	260,277	86,884	176,709	86,084	83,568	800

Source: Federation Statistics Institute.

1/ Data prior to September 1996 apply to the Bosniac-majority area only.

2/ The category of "waiting" applies to personnel not actually working, but for whom contributions (pension, health) are paid; data distinguishing between those actually working, and those "waiting" are available beginning September 1996.

3/ Includes government administration, education, health care, and other social services.

Table 4. Bosnia and Herzegovina: Average Monthly Wages in the Federation, 1994-97

(In deutsche marks) 1/

		Gross Monthly Wages			Net Monthly Wages		
		Total	Material Sphere	Nonmaterial Sphere 1/	Total	Material Sphere	Nonmaterial Sphere 1/
1994	Nov	21	25	15	14	16	10
	Dec	31	31	32	20	20	21
1995	Jan	59	54	74	32	29	41
	Feb	48	40	69	27	23	39
	Mar	67	63	77	38	36	44
	Apr	63	58	94	36	33	54
	May	81	73	115	46	41	66
	Jun	70	63	97	40	36	55
	Jul	69	62	97	39	35	55
	Aug	78	77	83	45	44	47
	Sep	81	79	86	46	45	49
	Oct	87	85	91	50	49	52
	Nov	102	91	127	58	52	72
	Dec	104	99	114	59	56	65
1996	Jan.	129	113	174	74	64	99
	Feb.	147	136	167	84	78	95
	Mar.	211	168	330	120	96	188
	Apr.	225	195	322	128	111	184
	May	277	240	386	158	137	220
	Jun.	302	252	460	172	143	262
	Jul.	333	284	498	190	162	284
	Aug.	362	299	514	206	170	293
	Sept.	362	318	517	206	181	295
	Oct.	392	339	534	223	193	304
	Nov.	392	341	542	223	195	309
	Dec.	414	363	568	236	207	324
1997	Jan.	418	368	573	238	210	327
	Feb.	429	372	580	244	212	331
	Mar.	441	389	562	251	222	321
	Apr.	453	390	593	258	222	338
	May	458	396	604	261	226	344
	Jun.	452	392	609	258	223	347
	Jul.	468	408	616	267	233	351
	Aug.	471	419	607	268	239	346
	Sep	475	416	627	271	237	357
	Oct	492	440	633	280	251	361
	Nov	501	445	646	286	254	368
	Dec	540	484	661	308	276	377

Source: Data provided by State Statistical Institute.

1/ Includes government administration, education, health care, and other social services.



Table 5. Bosnia and Herzegovina: Average Monthly Wages in the Republika Srpska 1994-97

(In deutsche marks) 1/

		Gross Monthly Wages			Net Monthly Wages		
		Total	Material Sphere	Nonmaterial Sphere 2/	Total	Material Sphere	Nonmaterial Sphere 2/
1994	Jan	37	36	45	17	17	21
	Feb	56	54	65	27	26	31
	Mar	54	50	73	29	27	36
	Apr	67	62	87	34	32	41
	May	79	71	103	35	32	43
	Jun	100	89	171	47	43	74
	Jul	116	109	141	56	54	63
	Aug	115	106	156	55	52	71
	Sep	115	107	154	54	52	66
	Oct	103	95	137	49	46	60
	Nov	100	96	118	49	47	55
	Dec	93	88	112	46	44	50
1995	Jan	78	72	103	38	36	46
	Feb	75	69	92	37	35	42
	Mar	68	65	78	33	32	35
	Apr	63	58	78	31	30	35
	May	62	58	85	31	29	37
	Jun	59	55	70	29	28	32
	Jul	57	54	63	28	27	29
	Aug	55	52	63	27	26	29
	Sep	53	49	69	26	25	31
	Oct	54	52	59	26	26	27
	Nov	45	43	51	22	21	23
	Dec	46	43	55	22	22	24
1996	Jan.	48	44	58	24	22	30
	Feb.	54	48	67	26	25	31
	Mar.	62	57	72	32	30	36
	Apr.	67	63	76	35	34	39
	May	82	77	94	43	41	51
	Jun.	90	84	108	49	46	60
	Jul.	101	96	125	58	55	72
	Aug.	102	94	125	64	59	79
	Sept.	99	94	115	64	61	73
	Oct.	106	102	119	68	66	76
	Nov.	104	101	114	67	65	73
	Dec.	106	102	124	68	66	80
1997	Jan.	97	96	98	62	62	63
	Feb.	100	96	121	64	61	77
	Mar.	106	101	121	68	65	77
	Apr.	107	106	113	69	68	72
	May	119	118	123	76	75	79
	Jun.	120	122	115	77	78	73
	Jul.	146	147	129	94	94	83
	Aug.	184	160	253	119	103	164
	Sept.	177	164	224	114	105	144
	Oct.	157	143	202	101	92	130
	Nov.	156	151	168	100	98	108
	Dec.	207	206	210	133	133	134

Source: Data provided by Statistical Office of the Republika Srpska.

1/ Based on the average monthly parallel market exchange rate between the YUD and DM.

2/ Includes government administration, education, health care, and other social services.

Table 6. Bosnia and Herzegovina: Retail Price Developments, 1995-Feb 98

	1995	1996	1997 Est.	1998 Jan-Feb
<b>Federation</b>				
12-month average index	82.7	62.5	71.4	74.6
percent change	-4.4	-24.5	14.3	4.4
End-period inflation	-39.5	7.7	13.4	1.3
<b>Republika Srpska (YUD-based index) 1/</b>				
12-month average index	174.8	290.0	297.8	326.8
percent change	117.6	65.9	2.7	9.7
End-period inflation	204.4	-8.5	12.8	5.9
<b>Republika Srpska (DM -based index) 2/</b>				
12-month average index	114.6	134.3	125.2	104.8
percent change	12.9	17.2	-6.7	-16.3
End-period inflation	45.0	-18.1	-0.3	-11.7
<b>Memorandum items:</b>				
<b>YUD/DM exchange rate 3/</b>				
12-month average index	2.4	3.5	3.9	5.1
percent change	95.9	43.8	10.7	30.4
End-period rate	3.4	3.8	4.3	5.1
percent change		11.8	13.2	18.6

Sources: Federation and Republika Srpska Statistical Offices; and staff estimates.

1/ Index based on prices denominated in FR Yugoslavia dinars.

2/ YUD-based index, converted into DM using parallel market exchange rate.

3/ Parallel market exchange rate.

Table 7. Bosnia and Herzegovina: Consolidated Fiscal Position, 1996-97

	1996		1997				Republika Srpska 1/
	Consolidated	Consolidated	State	Federation Consolidated	Federation	Federation Cantons, Municipalities and Social Funds	
Total Revenue	1,991	2,428	50	2,169	610	1,559	209
Tax revenue	1,381	1,615	0	1,418	565	853	197
Taxes on goods and services	767	976	0	875	279	596	100
Trade taxes	296	349	0	285	285	0	63
Taxes on income	296	284	0	256	0	256	28
Other taxes	22	7	0	1	0	1	6
Nontax revenue	609	813	50	751	45	706	12
Expenditures 2/	2,173	2,519	110	2,200	641	1,559	209
Wages	235	325	35	265	70	195	25
Goods and services	92	84	...	53	19	34	31
Military	188	394	0	321	254	67	73
Reconstruction	24	77	0	68	18	50	9
Transfers to invalids	198	206	0	192	175	16	15
Transfers to State budget	0	30	0	30	30	0	0
Other 3/	1,436	1,403	75	1,272	76	1,196	56
Financing	183	91	60	31	31	0	0
Domestic	41	0	0	0	0	0	0
External grants and concessional loans	142	91	60	31	31	0	0
			(In percent of GDP)				
Revenues	39.8	31.4	0.6	28.1	7.9	20.2	2.7
Expenditure	43.4	32.6	1.4	28.5	8.3	20.2	2.7

1/ Excludes local government and district operations.

2/ Cash basis.

3/ Includes district, canton, and municipal expenditures, for which insufficient data is available to permit allocation among the categories.

Table 8. Bosnia and Herzegovina: State Budget, 1997-98

	<u>1997</u> Budget	<u>1997</u> Preliminary	<u>1998</u> Budget
(In millions of convertible marka)			
Expenditures	136	110	183
Administrative	40	35	57
Debt service	96	75	126
Revenues	136	50	173
Fees	20	20	20
Transfers from Entities	116	30	153
External Financing	0	60	10

Source: Council of Ministers of Bosnia and Herzegovina; and staff estimates for 1997.

Table 9. Bosnia and Herzegovina: Federation Budget, 1996-98

	<u>1996</u> Actual	<u>1997</u> Budget	<u>1997</u> Preliminary	<u>1998</u> Budget
(In millions of convertible marka)				
Total Revenue	318.3	615.0	622.9	822.0
Tax revenue	312.3	545.2	564.8	765.8
Excises	149.0	264.2	279.3	390.0
Trade taxes	163.3	281.0	285.5	375.8
Nontax revenue and grants	6.0	69.8	58.1	56.2
Fees	0.0	40.5	14.8	25.0
Fines	0.6	2.3	2.8	6.0
Special charges	1.7	25.0	21.5	25.0
Grants	3.5	2.0	13.0	0.0
Other	0.2	0.0	6.0	0.2
Total Expenditure	394.3	615.1	641.2	917.0
Wages and contributions	62.4	69.9	69.6	88.4
Goods and services	12.9	18.1	19.4	32.5
Military	0.0	254.4	253.5	343.0
Reconstruction expenditure	9.6	27.0	17.6	30.0
Subsidies	29.1	5.0	3.2	30.0
Other transfers to households	177.6	190.4	226.7	273.0
Transfers to pension fund	15.0	0.0	15.8	0.0
Transfers for health	42.3	4.5	1.4	1.5
Transfers for education	16.7	4.5	10.4	3.5
Transfers to war invalids	95.2	180.0	175.5	257.0
Other	8.4	1.4	0.0	11.0
Transfers to the State Government	28.9	19.7	29.9	95.0
Transfers to Cantons or Municipalities	12.7	10.0	3.7	7.0
Other expenditure and unallocated	13.1	20.6	17.6	18.0
Net lending	48.0	0.0	0.0	0.0
Lending	48.0	0.0	0.0	0.0
Repayments	0.0	0.0	0.0	0.0
Balance	-76.0	-0.1	-18.3	-95.0
Financing	76.0	...	18.3	95.0
Domestic 1/	-14.9	...	18.3	15.0
External	90.9	...	0.0	80.0

Sources: Federation Ministry of Finance.

1/ Domestic financing for 1998 represents budgeted privatization revenue.

Table 10. Bosnia and Herzegovina: Republika Srpska Budget, 1996-98

	1996 Preliminary	1997 Budget 1/	1997 Preliminary 1/	1998 Budget
(In millions of convertible marka)				
Total revenue	253.0	330.6	209.3	365.2
Tax revenue	246.0	319.8	197.0	347.0
Taxes on goods and services	76.7	129.9	100.1	158.0
Sales tax	59.4	89.0	90.4	139.5
Sales tax on goods and services	33.6	49.7	53.4	82.4
Surcharge for military expend.	23.2	30.1	27.9	43.0
Surcharge for railroad	2.6	9.3	9.1	14.1
Excises	17.4	40.9	9.8	18.6
Excises	9.2	40.9	9.2	18.6
War surcharges	8.1	0.0	0.6	0.0
Trade taxes	94.9	133.2	63.0	91.8
Customs tariffs	91.1	117.5	61.5	89.3
Customs tariffs in YD	35.0	117.5	31.5	...
Customs tariffs in DM	56.1	...	30.0	...
Export tax on timber	3.8	15.7	1.6	2.5
Taxes on income	72.3	56.7	28.2	86.9
Personal income tax	6.9	8.9	5.4	10.5
Wage withholding	16.6	24.3	21.7	33.4
Reconstruction tax	48.4	23.1	0.0	40.0
Corporate income tax	0.4	0.4	1.2	2.9
Other taxes	2.1	0.0	5.6	10.3
Nontax revenue and grants	7.0	10.8	12.3	18.2
Fees	4.9	6.2	10.5	16.1
Fines	1.4	1.8	1.4	2.1
Grants	0.0	0.0	0.0	0.0
Others	0.7	2.8	0.5	...
Total Expenditure	254.3	424.9	209.3	468.2
Wages and contributions	38.5	82.8	24.9	106.7
General administration	17.7	54.8	10.9	54.3
Education	20.6	27.8	13.9	52.4
General assembly	0.1	0.2	0.0	0.0
Goods and services	35.9	65.1	30.5	37.9
o/w goods reserve	...	28.9	6.6	10.2
o/w education	...	...	...	...
Military	138.7	110.9	73.4	85.8
Wages	11.6	...	0.5	...
Goods and services	13.5	...	37.1	...
Other	113.6	...	35.7	...
Interest	0.0	0.0	0.4	0.6
Social Fund	...	...	6.1	51.0
Reconstruction expenditure	4.6	9.3	9.3	14.3
o/w railways	2.5	9.3	9.3	14.3
Subsidies	6.5	0.0	0.0	0.0
Other transfers to households	22.7	69.3	15.1	62.0
War invalids	21.6	68.5	14.8	50.9
Other	1.1	0.9	0.3	11.1
Transfers to other levels of government	0.6	29.8	1.2	72.0
Transfers to the State	0.0	22.8	0.0	60.0
Administration	0.0	2.8	0.0	50.0
Debt service	0.0	20.0	0.0	10.0
Transfers to municipalities	0.6	6.9	1.2	12.0
Other expenditure and unallocated	6.9	57.8	48.6	37.9
Budgetary reserve	6.8	12.9	21.6	24.8
Other	0.0	44.9	27.0	13.1
Balance	-1.3	-94.3	0.0	-103.0
Financing	1.3	94.3	0.0	103.0
Domestic	1.4	0.0	0.0	0.0
External	0.0	94.3	0.0	103.0

Source: Data provided by authorities, and staff estimates.

1/ Converted at average parallel market rate of DM 1 = YD 3.5

Table 11. Bosnia and Herzegovina: Summary Balance Sheet of the Central Bank of Bosnia and Herzegovina (CBBH), Aug. 1997-Mar. 1998

(In millions of convertible marka; end of period)

	1997						1998		
	12 1/ Aug.	31	Sep.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.
<b>Assets</b>	132.6	255.3	330.8	322.2	318.0	280.6	279.9	256.8	237.7
<b>Monetary Assets</b>	132.6	127.5	128.0	129.3	134.0	143.5	143.9	130.5	131.1
<b>Foreign Assets</b>	132.6	127.5	128.0	129.3	134.0	143.5	143.9	130.5	131.1
Cash	4.3	4.3	5.8	7.9	7.9	5.8	5.3	5.4	5.4
Noncash 2/	128.3	123.2	122.1	121.4	126.1	137.7	138.6	125.1	125.7
<b>Other Assets</b>	0.0	127.8	202.8	192.9	184.0	137.0	136.0	126.3	106.6
<b>Foreign Assets</b>	0.0	127.4	196.1	174.4	162.9	135.7	134.5	124.9	105.1
Cash	0.0	0.0	0.0	0.0	0.0	0.4	0.3	0.3	0.2
Noncash	0.0	127.4	196.1	174.4	162.8	135.3	134.3	124.6	104.9
<b>Domestic Assets</b>	0.0	0.4	6.7	18.4	21.1	1.3	1.4	1.4	1.5
<b>Liabilities</b>	132.6	255.3	330.8	322.2	318.0	280.6	279.9	256.8	237.7
<b>Monetary Liabilities</b>	132.6	127.5	128.0	129.3	134.0	143.5	143.9	130.5	131.1
<b>Currency outside Monetary Authorities</b>	100.9	99.2	91.3	92.8	93.5	114.6	118.0	102.9	102.3
Credit balances of resident banks 3/	31.7	28.3	36.7	36.5	40.6	28.9	26.0	27.7	28.8
<b>Deposits of residents</b>	0.0	127.4	195.7	173.9	162.3	135.3	134.0	124.2	104.3
Central Government deposits	0.0	127.4	195.7	173.9	162.3	135.3	134.0	124.2	104.3
<b>Other Liabilities</b>	0.0	0.5	6.8	18.5	21.1	0.4	0.4	0.4	0.3
<b>Capital and reserves</b>	0.0	-0.1	0.3	0.4	0.6	1.4	1.6	1.7	2.0
<b>Memorandum item: Currency Board Arrangement</b>									
<b>Net free reserves 4/</b>	-1.1	2.4	5.6	5.6	-0.3	-16.6	-14.9	-6.3	-6.3
<b>Monetary liabilities</b>	133.7	125.1	122.4	123.7	134.3	160.1	158.9	136.9	137.4
Currency in circulation	100.9	99.2	91.3	92.8	93.5	114.6	118.0	102.9	102.3
Credit balances of resident banks	32.8	25.9	31.2	31.0	40.9	45.5	40.9	34.0	35.0
<b>Net foreign reserves</b>	132.6	127.5	128.0	129.3	134.0	143.5	143.9	130.5	131.1
<b>Assets</b>	132.6	127.5	128.0	129.3	134.0	143.5	143.9	130.5	131.1
Foreign currency cash	4.3	4.3	5.8	7.9	7.9	5.8	5.3	5.4	5.4
Foreign currency noncash	128.3	123.2	122.1	121.4	126.1	137.7	138.6	125.1	125.7
<b>Currency coverage (in percent) 5/</b>	99.2	101.9	104.5	104.5	99.8	89.6	90.6	95.4	95.4

Source: Data provided by the Central Bank of Bosnia and Herzegovina (CBBH).

1/ Opening of the Central Bank of Bosnia and Herzegovina (CBBH)

2/ Including deposit of NBBH made under the clearing agreement with the CBBH.

3/ Including clearing balance between the CBBH and NBBH.

4/ Defined as the difference between net foreign reserves of the CBBH and its monetary liabilities.

5/ Defined as the ratio of net foreign reserves of the CBBH to its monetary liabilities.

Table 12. Bosnia and Herzegovina: Summary Balance Sheet of the National Bank of Bosnia and Herzegovina (NBBH), Dec. 1994-July 1997 1/

	1994	1995	1996				1997		
	Dec.	Dec.	Mar.	Jun.	Sept.	Dec.	Mar.	Jun.	Jul.
(In millions of convertible marka; end of period)									
Assets	103.1	264.4	353.7	450.2	580.5	552.8	501.9	591.5	596.4
Foreign assets	76.1	228.2	322.0	397.7	529.5	503.8	455.8	547.7	557.8
Holdings of SDRs	0.0	10.8	10.3	9.1	6.9	4.9	2.9	0.1	0.1
Foreign exchange in vaults	56.2	147.7	218.5	278.2	272.8	244.1	203.3	232.0	246.6
Short-term claims on nonresident banks	20.0	69.7	93.2	110.3	249.9	254.8	249.6	315.5	311.0
Domestic assets	27.0	36.2	31.7	52.5	51.0	49.0	46.1	43.8	38.6
Claims on central government	21.0	32.8	26.3	48.9	48.5	46.4	42.4	42.4	43.3
Other claims	6.0	3.4	5.4	3.6	2.4	2.6	3.6	1.3	-4.7
Claims on nonfinancial enterprises 2/	0.0	0.5	0.0	0.0	0.0	0.1	0.1	0.1	0.1
Short-term claims on other sectors	5.9	2.8	5.3	3.5	2.3	2.1	3.1	0.8	-5.4
Claims on deposit money banks	5.5	2.4	4.9	3.0	1.9	2.1	3.0	0.8	-5.4
Other	0.5	0.5	0.5	0.5	0.5	0.0	0.0	0.0	0.0
Long-term claims	0.1	0.1	0.1	0.1	0.1	0.5	0.5	0.5	0.7
Liabilities	103.1	264.4	353.7	450.2	580.5	552.8	501.9	591.5	596.4
Foreign liabilities	0.0	69.5	74.6	75.5	75.5	73.9	73.9	76.7	76.7
Short-term: Use of Fund Credit	0.0	69.5	69.5	70.4	70.4	68.8	68.8	71.5	71.5
Long-term	0.0	0.0	5.1	5.1	5.1	5.1	5.1	5.2	5.3
Domestic liabilities	71.8	270.8	345.7	454.0	555.3	550.0	504.4	626.3	606.9
Reserve money	13.1	60.7	92.1	91.3	127.8	167.7	165.5	178.9	170.5
Currency outside monetary authorities 3/	2.1	20.5	22.6	37.1	62.5	97.9	89.3	91.2	95.1
Of which: Currency outside banks	1.8	19.9	20.2	36.0	61.5	96.5	87.7	89.0	95.1
Deposits of deposit money banks 4/	9.5	34.9	61.7	53.3	53.3	54.9	63.0	73.2	72.0
Other demand deposits 5/	1.6	5.3	7.8	1.0	12.1	14.9	13.2	14.5	3.3
Foreign currency deposits	26.7	59.9	75.9	79.0	99.5	94.9	88.4	100.5	101.7
Central government deposits	32.0	150.2	177.8	283.6	328.1	287.4	250.5	346.9	334.7
Other items (net) 6/	31.3	-76.0	-66.6	-79.3	-50.3	-71.0	-76.3	-111.5	-87.3
Memorandum items:									
Claims on former National Bank of Yugoslavia for frozen foreign exchange deposits 7/-	2,328.3	2,325.1	2,329.7	2,333.9	2,334.0	2,329.6	2,344.0	2,357.1	2,372.3
(Changes in percent of beginning of year reserve money stock)									
Foreign assets (net)	...	628.4	146.1	269.2	486.4	446.6	-28.6	24.5	30.5
Domestic assets (net)	...	-266.4	-94.5	-218.8	-375.9	-270.4	27.3	-17.9	-28.8
Net claims	...	-829.8	-52.7	-192.7	-268.6	-204.7	20.2	-38.6	-34.5
Claims on general government (net)	...	-810.0	-56.0	-193.0	-266.9	-203.5	19.7	-37.9	-30.1
Claims on other sectors	...	-19.8	3.3	0.3	-1.6	-1.3	0.6	-0.8	-4.4
Other items (net) 8/	...	563.3	-41.7	-26.1	-107.4	-65.7	7.0	20.8	5.6
Reserve money	...	362.0	51.6	50.4	110.5	176.2	-1.3	6.7	1.7

Sources: Data provided by the National Bank of Bosnia and Herzegovina (NBBH); and staff estimates.

1/ At the official exchange rate of 100 Bosnia and Herzegovina dinars per DM until mid August, 1997, at time which the country-wide Central Bank of Bosnia and Herzegovina (CBBH) started its operation

2/ Including mostly public enterprises.

3/ Excluding foreign currencies.

4/ Including foreign currency deposits with payments bureau.

5/ Including demand deposits of noncentral government, nonbank financial institutions, and non financial enterprises.

6/ Including assets and liabilities relating to frozen foreign exchange deposits.

7/ NBBH holds liabilities to commercial banks over the same amount on account of frozen foreign exchange deposits. This includes a residual claim over DM 31 million repaid by the Republic government in 1992 to citizens holding frozen foreign exchange accounts.

8/ Including foreign currency deposits.



Table 13. Bosnia and Herzegovina: Summary Balance Sheet of the National Bank of the Republika Srpska (NBRB), Dec. 1994-July 1997 1/

(In millions of convertible marka, end of period)

	1994		1995			1996			1997		
	Dec	Dec	Dec.	Mar.	Jun.	Sept.	Dec.	Mar.	Jun.	Jul.	
<b>Assets</b>	113.1	83.9	83.9	94.0	116.6	132.1	157.6	194.4	221.7	231.9	
<b>Foreign assets</b>											
Foreign exchange in vaults	55.2	7.2	7.2	14.0	34.5	46.9	65.0	101.3	109.7	121.0	
Short-term claims on nonresident banks	48.2	4.6	4.6	11.3	31.8	44.2	63.9	100.1	108.6	119.8	
	7.0	2.7	2.7	2.7	2.7	2.7	1.1	1.1	1.1	1.1	
<b>Domestic assets</b>	58.0	76.6	76.6	80.0	82.1	85.2	92.6	93.1	112.0	110.9	
Claims on central government	55.2	63.6	63.6	63.6	63.6	63.6	63.6	63.6	63.6	63.6	
Other claims	2.7	13.1	13.1	16.4	18.5	21.6	29.0	29.5	48.4	47.3	
Claims on nonfinancial public enterprises	0.0	0.0	0.0	0.0	0.1	0.1	0.5	2.8	3.0	3.0	
Short-term claims on deposit money banks	2.7	13.1	13.1	16.4	18.4	21.5	28.5	26.7	45.3	44.3	
<b>Liabilities</b>	113.1	83.9	83.9	94.0	116.6	132.1	157.6	194.4	221.7	231.9	
Foreign liabilities 2/	34.2	29.0	29.0	29.6	51.7	55.0	63.6	74.8	78.3	79.0	
Domestic liabilities	79.0	54.9	54.9	64.4	64.9	77.1	94.0	119.6	143.4	152.8	
Reserve money	18.5	24.3	24.3	2.8	2.7	3.7	6.4	3.4	5.5	2.8	
Currency outside monetary authorities 3/	0.0	7.7	7.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Deposits of deposit money banks 4/	18.5	16.6	16.6	2.8	2.7	3.7	6.4	3.4	5.5	2.8	
Foreign currency deposits 5/	2.0	1.8	1.8	3.2	3.7	3.5	3.2	3.0	1.1	5.3	
Central government deposits	6.3	5.4	5.4	6.1	8.3	3.5	9.6	6.2	11.5	11.9	
Other items (net)	52.1	23.4	23.4	52.3	50.3	66.4	74.7	107.1	125.3	132.7	

Sources: Data provided by the National Bank of the Republika Srpska (NBRB), and staff estimates.

1/ At the official exchange rate of Yugoslav dinar (YUD) 1 per DM until November 16, 1995 and YUD 3.3 per DM thereafter; during the period 1992-97, the YUD was the sole legal tender of the Republika Srpska. For statistical purposes, however, YUDs assets and liabilities are included among foreign currency monetary aggregates.

2/ Including mostly short-term liabilities to the National Bank of the Federal Republic of Yugoslavia on account of YUD cash emitted into the economy.

3/ Including negotiable YUD denominated cashiers checks constituting domestic currency introduced on April 13, 1995 and withdrawn on February 29, 1996; excluding foreign currencies.

4/ Including foreign currency deposits with payments bureau.

5/ Excluding foreign currency deposits of deposit money banks.

Table 14. Bosnia and Herzegovina: Summary Balance Sheet of the Commercial Banks in Bosnia and Herzegovina, Dec. 1994-Dec. 1997 1/

(In millions of convertible marks; end of period)

	1994	1995	1996			1997				
	Dec.	Dec.	Mar.	Jun.	Sept.	Dec.	Mar.	Jun.	Sept.	Dec.
<b>Assets</b>	<b>3,477.8</b>	<b>3,244.3</b>	<b>3,422.0</b>	<b>3,667.4</b>	<b>3,786.6</b>	<b>4,038.8</b>	<b>4,218.4</b>	<b>4,425.0</b>	<b>4,703.6</b>	<b>4,796.0</b>
Foreign assets	527.6	513.2	591.9	585.5	650.6	697.3	684.0	720.6	783.5	771.0
Short-term	225.0	223.2	300.1	293.1	357.5	381.6	364.8	400.2	439.1	433.8
Long-term	302.6	290.0	291.8	292.4	293.0	315.7	319.2	320.4	344.5	337.3
Domestic assets	2,950.2	2,731.2	2,830.1	3,081.9	3,136.1	3,339.5	3,534.4	3,704.4	3,920.1	4,024.9
Claims on general government	14.0	10.2	9.3	11.5	9.6	17.5	22.1	26.9	21.6	18.3
Central government	13.0	10.2	9.3	8.0	9.6	14.6	17.1	19.0	14.4	13.8
Other government	1.0	0.0	0.0	3.6	0.0	2.9	5.0	7.8	7.3	4.4
Claims on nonfinancial enterprises 2/	2,781.6	2,530.6	2,810.9	2,918.0	2,933.7	3,056.7	3,255.9	3,407.3	3,589.5	3,649.6
Claims on private sector 3/	104.7	84.9	80.6	34.0	36.7	88.3	80.4	71.7	102.9	129.7
Reserves	49.9	105.4	119.4	118.4	156.1	178.9	166.1	198.6	206.1	227.4
Domestic currency in vaults	0.3	0.6	2.3	1.1	0.9	1.4	1.7	2.2	2.2	2.1
Required deposits with monetary authorities	15.8	31.5	33.2	24.2	22.1	24.6	26.0	27.7	52.8	67.9
Other deposits and claims	33.8	73.3	83.9	93.1	133.0	150.8	138.4	168.7	151.1	157.4
Liabilities	3,477.8	3,244.3	3,422.0	3,667.4	3,786.6	4,038.8	4,218.4	4,425.0	4,703.6	4,796.0
Foreign liabilities	2,823.8	2,745.9	2,811.7	2,938.0	2,963.5	2,987.6	3,078.0	3,181.2	3,297.6	3,231.4
Short-term	74.3	95.9	120.2	122.0	138.0	137.1	137.6	158.9	182.4	199.9
Long-term	2,749.4	2,650.0	2,691.6	2,815.9	2,825.6	2,850.5	2,940.5	3,022.3	3,115.3	3,031.5
Domestic liabilities	654.0	498.5	610.2	729.4	823.1	1,049.2	1,140.3	1,243.7	1,406.0	1,564.6
Demand deposits	236.7	264.5	306.0	319.0	407.3	488.9	464.6	465.8	522.9	570.1
General government	36.5	31.3	32.1	33.6	44.5	66.9	82.9	70.1	72.3	63.9
Central government	24.4	15.0	11.4	11.1	20.5	42.6	51.7	43.1	28.4	24.1
Other government	12.1	16.4	20.8	22.5	24.0	24.3	31.2	27.0	45.9	39.8
Other	200.2	233.2	273.8	285.4	362.9	420.0	381.6	395.7	450.6	506.2
Nonbank financial institutions	2.7	4.3	3.9	5.3	6.4	5.5	7.8	9.4	5.1	10.5
Nonfinancial enterprises 2/	132.9	181.7	220.1	202.0	288.2	329.0	287.3	302.9	323.9	354.0
Other 4/	64.6	47.2	49.9	78.1	68.2	85.6	86.7	83.5	121.6	141.8
Time and saving deposits	136.0	82.4	98.4	100.1	119.9	184.1	237.3	295.3	379.7	440.9
General government	16.6	31.3	36.4	25.0	31.8	67.6	88.4	101.1	139.5	141.2
Central government	16.6	31.3	36.4	21.0	28.6	62.6	75.5	87.0	117.9	110.3
Other government	0.0	0.0	0.0	4.0	3.2	5.1	12.9	14.1	21.6	30.9
Other 4/	119.4	51.1	61.9	75.1	88.1	116.5	148.9	194.2	240.2	299.6
Nonbank financial institutions	0.2	1.8	2.4	2.9	3.6	12.1	13.2	13.1	9.6	14.1
Nonfinancial enterprises 2/	81.4	35.2	44.8	47.1	60.2	76.5	82.4	127.7	141.9	167.6
Other 4/	37.9	14.1	14.8	25.1	24.3	27.9	43.3	53.3	88.7	118.0
Credit from monetary authorities	10.9	17.5	19.7	17.8	18.0	37.9	30.0	26.4	0.0	0.0
General purpose credit to banks	5.4	4.5	8.9	8.9	10.0	25.9	18.3	18.5	0.0	0.0
Selective lending to banks	0.0	4.7	4.8	4.9	4.5	5.1	1.4	0.8	0.0	0.0
Dinar advances	1.2	0.3	5.4	3.7	3.4	3.6	3.8	3.2	0.0	0.0
Other	4.3	8.0	0.5	0.4	0.1	3.3	6.5	5.9	0.0	0.0
Other items (net) 5/	270.3	134.1	186.2	292.8	277.9	340.3	408.5	454.3	503.4	553.6
<b>Memorandum item</b>										
<b>Total deposits</b>	<b>372.8</b>	<b>348.9</b>	<b>404.3</b>	<b>419.1</b>	<b>527.3</b>	<b>671.1</b>	<b>701.9</b>	<b>761.1</b>	<b>802.6</b>	<b>1,011.0</b>
Demand deposits	236.7	264.5	306.0	319.0	407.3	488.9	464.6	465.8	522.9	570.1
Central government 6/	24.4	15.0	11.4	11.1	20.5	42.6	51.7	43.1	28.4	24.1
Other 7/	212.3	249.6	294.6	307.8	386.8	444.3	412.9	422.7	496.5	546.1
In domestic currency	9.3	23.3	42.1	55.5	63.4	75.8	82.2	98.0	113.0	125.3
In foreign currency	203.0	226.3	252.5	252.3	323.4	368.5	330.6	324.8	383.5	420.7
Time, savings and foreign currency deposits	136.0	82.4	98.4	100.1	119.9	184.1	237.3	295.3	379.7	440.9
Central government 6/	16.6	31.3	36.4	21.0	28.6	62.6	75.5	87.0	117.9	110.3
Other 7/	119.4	51.1	61.9	79.1	91.3	121.6	161.8	208.3	261.8	330.5
In domestic currency	1.4	3.9	4.1	5.8	4.4	7.1	15.6	18.3	11.2	9.6
In foreign currency	118.0	47.2	57.9	73.5	86.8	114.5	146.2	189.9	250.6	321.0
Claims for frozen foreign exchange deposits	2,328.3	2,294.2	2,298.6	2,302.8	2,302.9	2,298.4	2,312.4	2,325.2	2,340.1	2,332.7

Sources: Data provided by the National Bank of Bosnia and Herzegovina (NBBH) and the National Bank of the Republika Srpska (NBRSS) until July 1997 and the Central Bank of Bosnia and Herzegovina (CBBH) thereafter; and staff estimates.

1/ Consolidated balance sheet of commercial banks operating in the Federation and the Republika Srpska. Excluding the National Bank of Bosnia and Herzegovina (NBBH) and the National Bank of the Republika Srpska (NBRSS), classified among deposit money banks as of August 1997.

2/ Including mostly public enterprises.

3/ Including nonbank financial institutions, households, and other nongovernment sectors.

4/ Including households, and other nongovernment sectors.

5/ Including assets and liabilities relating to frozen foreign exchange deposits.

6/ Including deposits in domestic and foreign currencies.

7/ Including deposits of noncentral government, nonbank financial institutions, nonfinancial enterprises, households and other nongovernment sectors.

Table 15. Bosnia and Herzegovina: Summary Balance Sheet of the Commercial Banks in the Federation Dec. 1994-Dec. 1997 1/

(In millions of convertible marka; end of period)

	1994 Dec.	1995 Dec.	1996				1997			
			Mar.	Jun.	Sept.	Dec.	Mar.	Jun.	Sept.	Dec.
<b>Assets</b>	2,781.6	2,775.2	2,933.0	3,185.0	3,281.5	3,531.1	3,697.4	3,882.3	4,128.4	4,192.8
Foreign assets	487.2	462.3	530.1	538.8	591.7	658.2	649.1	674.9	725.4	708.1
Short-term	184.6	172.4	238.3	246.4	298.7	342.5	329.9	354.6	381.0	370.9
Long-term	302.6	290.0	291.8	292.4	293.0	315.7	319.2	320.3	344.4	337.2
Domestic assets	2,294.4	2,312.9	2,403.0	2,646.2	2,689.9	2,872.9	3,048.3	3,207.4	3,402.9	3,484.7
Claims on general government	12.5	8.3	7.9	10.7	8.8	16.1	21.2	25.4	19.7	16.3
Central government	11.5	8.3	7.9	7.1	8.8	13.2	16.2	17.5	12.5	11.8
Other government	1.0	0.0	0.0	3.6	0.0	2.9	5.0	7.8	7.3	4.4
Claims on nonfinancial enterprises 2/	2,150.5	2,129.8	2,189.2	2,486.1	2,490.8	2,598.9	2,774.4	2,916.3	3,074.7	3,112.0
Claims on private sector 3/	104.0	84.7	90.2	33.6	36.2	87.8	89.9	71.2	102.4	129.1
Reserves	27.4	90.1	115.7	115.8	154.0	170.1	162.9	194.5	206.1	227.4
Domestic currency in vaults	0.3	0.6	2.3	1.1	0.9	1.4	1.7	2.2	2.2	2.1
Required deposits with monetary authorities	13.0	30.4	30.6	24.2	22.1	24.6	26.0	27.7	52.8	67.9
Other deposits and claims	14.1	59.1	82.7	90.5	131.0	144.0	135.2	164.7	151.1	157.4
Liabilities	2,781.6	2,775.2	2,933.0	3,185.0	3,281.5	3,531.1	3,697.4	3,882.3	4,128.4	4,192.8
Foreign liabilities	2,441.7	2,403.5	2,463.9	2,590.3	2,606.6	2,628.7	2,705.5	2,800.6	2,914.7	2,844.0
Short-term	73.1	94.7	119.1	119.3	132.6	133.3	133.1	152.0	176.3	193.0
Long-term	2,368.7	2,308.8	2,344.8	2,470.9	2,474.0	2,495.4	2,572.4	2,648.6	2,738.4	2,651.1
Domestic liabilities	339.9	371.7	469.2	594.7	674.9	902.4	991.9	1,081.6	1,213.7	1,348.8
Demand deposits	167.4	225.6	283.1	295.3	377.6	455.0	439.3	438.2	460.6	496.1
General government	19.5	26.1	29.1	30.8	41.8	63.3	80.4	66.7	67.3	59.0
Central government	7.3	9.7	8.3	8.4	17.8	39.0	49.2	39.7	21.4	19.2
Other government	12.1	16.4	20.8	22.5	24.0	24.3	31.2	27.0	45.9	39.8
Other	147.9	199.6	254.0	264.5	335.8	391.7	358.9	371.6	393.3	437.0
Nonbank financial institutions	1.2	1.7	2.4	4.6	6.2	5.3	7.4	9.2	4.9	10.3
Nonfinancial enterprises 2/	85.2	152.8	204.2	185.6	268.8	308.6	269.0	282.4	288.9	314.7
Other 4/	61.6	45.1	47.4	74.3	60.8	77.9	82.5	80.0	99.5	112.0
Time and saving deposits	43.8	38.7	47.9	64.9	75.5	152.8	198.6	252.6	331.3	381.3
General government	0.0	0.0	0.0	5.6	4.6	57.7	75.8	88.5	122.7	121.7
Central government	0.0	0.0	0.0	1.6	1.4	52.6	62.9	74.5	101.2	90.8
Other government	0.0	0.0	0.0	4.0	3.2	5.1	12.9	14.1	21.6	30.9
Other	43.8	38.7	47.9	59.3	70.9	95.1	122.8	164.0	208.6	259.6
Nonbank financial institutions	0.2	1.8	2.4	2.9	3.6	12.1	13.2	13.1	9.6	14.1
Nonfinancial enterprises 2/	5.8	22.8	30.7	31.4	43.0	55.1	66.3	97.6	110.2	127.5
Other 4/	37.9	14.1	14.8	25.1	24.3	27.9	43.3	53.3	88.7	118.0
Credit from monetary authorities	5.5	2.4	4.9	2.3	0.7	13.3	16.6	15.7	0.0	0.0
General purpose credit to banks	0.0	0.0	0.0	0.3	0.3	9.4	9.4	9.6	0.0	0.0
Selective lending to banks	0.0	1.8	2.1	1.1	0.1	0.2	0.2	0.2	0.0	0.0
Dinar advances	1.2	0.3	2.2	0.5	0.2	0.4	0.6	0.0	0.0	0.0
Other	4.3	0.3	0.5	0.4	0.1	3.3	6.5	5.9	0.0	0.0
Other items (net) 5/	123.1	104.9	133.4	232.2	221.1	281.4	337.3	375.1	421.7	471.4
<b>Memorandum item</b>										
<b>Total deposits</b>	211.2	264.4	331.0	360.2	453.1	607.8	638.0	690.8	791.9	877.4
Demand deposits	167.4	225.6	283.1	295.3	377.6	455.0	439.3	438.2	460.6	496.1
Central government 6/	7.3	9.7	8.3	8.4	17.8	39.0	49.2	39.7	21.4	19.2
Other 7/	160.1	215.9	274.8	287.0	359.8	416.0	390.1	398.6	439.2	476.9
In domestic currency	9.3	23.3	42.1	55.5	63.4	75.8	82.2	98.0	113.0	125.3
In foreign currency	150.8	192.7	232.7	231.5	296.4	340.2	307.9	300.6	326.2	351.5
Time, savings and foreign currency deposits	43.8	38.7	47.9	64.9	75.5	152.8	198.6	252.6	331.3	381.3
Central government	0.0	0.0	0.0	1.6	1.4	52.6	62.9	74.5	101.2	90.8
Other 7/	43.8	38.7	47.9	63.3	74.0	100.2	135.7	178.1	230.1	290.5
In domestic currency	1.4	3.9	4.1	5.6	4.4	7.1	15.6	18.3	11.2	9.6
In foreign currency	42.4	34.8	43.8	57.7	69.6	93.1	120.1	159.8	218.9	280.9
Claims on CBBH for frozen foreign exchange deposits	2,328.3	2,294.2	2,298.6	2,302.8	2,302.9	2,298.4	2,312.4	2,325.2	2,340.1	2,336.0

Sources: Data provided by the National Bank of Bosnia and Herzegovina (NBBH) and the Federation Ministry of Finance until July 1997 and the Central Bank of Bosnia and Herzegovina (CBBH) thereafter, and staff e

- 1/ Consolidated balance sheet of commercial banks operating in the Federation. Excluding the National Bank of Bosnia and Herzegovina (NBBH) classified among deposit money banks as of August 1997.  
2/ Including mostly public enterprises.  
3/ Including claims on nonbank financial institutions, households, and other nongovernment sectors.  
4/ Including deposits of households, and other nongovernment sectors.  
5/ Including assets and liabilities relating to frozen foreign exchange deposits.  
6/ Including deposits in domestic and foreign currencies.  
7/ Including deposits of noncentral government, nonbank financial institutions, nonfinancial enterprises, households, and other nongovernment sectors.

Table 16. Bosnia and Herzegovina: Summary Balance Sheet of the Federation Commercial Banks Formerly Reporting to the NBBH, Dec.1994-Dec. 1997 1/

(In millions of convertible marka; end of period)

	1994	1995	1996				1997			
	Dec.	Dec.	Mar.	Jun.	Sept.	Dec.	Mar.	Jun.	Sept.	Dec.
<b>Assets</b>	2,660.6	2,582.2	2,727.3	2,987.5	3,034.9	3,218.5	3,393.2	3,514.9	3,674.2	3,645.9
Foreign assets	433.9	414.4	478.8	500.4	539.0	585.8	569.0	587.3	605.3	578.6
Short-term	131.3	124.6	187.2	208.9	246.0	270.1	249.9	267.0	284.0	263.2
Long-term	302.6	289.8	291.6	291.5	293.0	315.7	319.2	320.3	321.4	315.4
Domestic assets	2,226.7	2,167.8	2,248.5	2,487.2	2,495.9	2,632.7	2,824.1	2,927.6	3,068.9	3,067.3
Claims on general government	7.6	4.5	4.0	6.7	6.7	9.6	14.8	16.5	17.6	14.0
Central government	7.6	4.5	4.0	6.7	6.7	6.7	9.7	9.1	10.5	9.9
Other government	0.0	0.0	0.0	0.0	0.0	2.9	5.0	7.4	7.0	4.1
Claims on nonfinancial enterprises	2,112.3	2,061.7	2,115.8	2,407.5	2,408.8	2,495.0	2,662.9	2,779.2	2,912.3	2,912.4
Claims on private sector 3/	98.0	76.7	81.5	27.0	28.9	77.8	78.6	55.3	65.4	67.7
Reserves	8.8	24.8	47.2	45.9	51.5	50.3	67.9	76.6	73.6	73.2
Liabilities	2,660.6	2,582.2	2,727.3	2,987.5	3,034.9	3,218.5	3,393.2	3,514.9	3,674.2	3,645.9
Foreign liabilities	2,434.3	2,391.3	2,451.1	2,568.6	2,576.1	2,611.6	2,689.3	2,769.0	2,883.1	2,779.8
Short-term	72.0	88.3	112.6	113.4	124.6	122.5	123.4	137.9	161.4	152.0
Long-term	2,362.3	2,303.0	2,338.5	2,455.1	2,451.5	2,489.1	2,565.9	2,631.1	2,721.7	2,627.7
Domestic liabilities	226.3	190.9	276.2	419.0	458.8	607.0	703.9	745.9	791.0	866.1
Demand deposits	10.7	24.7	43.9	55.6	63.6	89.1	105.6	102.8	114.2	127.9
General government	1.4	1.5	2.0	1.6	2.9	20.7	35.6	13.1	26.3	29.0
Central government	1.4	1.5	1.8	0.1	0.2	13.3	23.4	4.8	1.2	2.6
Other government	0.0	0.0	0.2	1.5	2.7	7.4	12.2	8.3	25.0	26.4
Other	9.3	23.3	41.9	54.0	60.7	68.4	70.1	89.7	87.9	98.9
Nonbank financial institutions	0.1	0.3	0.6	3.0	1.5	2.3	4.8	3.6	2.4	5.8
Nonfinancial enterprises	6.1	20.5	36.9	33.9	52.7	60.2	57.7	75.8	77.3	83.2
Other 4/	3.1	2.5	4.4	17.1	6.5	5.9	7.6	10.3	8.3	9.9
Time, savings and foreign currency deposits	37.0	17.1	23.1	36.4	44.7	104.8	143.1	184.0	208.8	218.0
General government	0.0	0.0	0.0	2.3	1.3	53.1	71.6	83.4	96.1	92.0
Central government	0.0	0.0	0.0	0.5	0.3	50.2	60.8	71.6	83.7	73.3
Other government	0.0	0.0	0.0	1.8	1.0	2.9	10.7	11.8	12.4	18.7
Other	37.0	17.1	23.1	34.0	43.5	51.7	71.5	100.6	112.6	126.0
Nonbank financial institutions	0.2	1.8	2.4	2.9	3.6	7.7	8.8	8.0	7.9	11.1
Nonfinancial enterprises 2/	0.9	7.9	12.0	21.9	23.8	29.1	40.0	66.2	71.2	67.2
Other 4/	35.8	7.4	8.8	9.3	16.1	14.8	22.8	26.4	33.5	47.6
Credit from monetary authorities	5.5	2.4	4.9	2.3	0.7	2.2	6.8	5.9	0.0	0.0
Other items (net) 5/	173.2	146.7	204.3	324.7	349.7	410.9	448.3	453.2	468.1	520.2
<b>Memorandum item</b>										
<b>Total deposits</b>	117.1	112.1	172.4	207.8	276.4	366.6	410.0	434.0	456.9	476.0
Demand deposits	80.1	95.0	149.4	171.4	231.6	261.8	267.0	250.0	248.1	258.0
Central government 6/	1.4	1.5	1.8	0.1	0.2	13.3	23.4	4.8	1.2	2.6
Other 7/	78.7	93.5	147.5	171.3	231.4	248.5	243.6	245.3	246.9	255.4
In domestic currency	9.3	23.3	42.1	55.5	63.4	75.8	82.2	98.0	113.0	125.3
In foreign currency	69.4	70.3	105.4	115.8	168.0	172.7	161.4	147.3	133.9	130.1
Time, savings and foreign currency deposits	37.0	17.1	23.1	36.4	44.7	104.8	143.1	184.0	208.8	218.0
Central government 6/	0.0	0.0	0.0	0.5	0.3	50.2	60.8	71.6	83.7	73.3
Other 7/	37.0	17.1	23.1	35.9	44.4	54.5	82.2	112.4	125.0	144.7
In domestic currency	1.4	3.9	4.1	5.6	4.4	7.1	15.6	18.3	11.2	9.6
In foreign currency	35.5	13.2	19.0	30.3	40.0	47.4	66.6	94.1	113.8	135.2
Claims on NBBH for frozen foreign exchange deposits	2,328.3	2,294.2	2,298.6	2,302.8	2,302.9	2,298.4	2,312.4	2,325.2	2,340.1	2,336.0

Sources: Data provided by the National Bank of Bosnia and Herzegovina (NBBH) until July 1997 and the Central Bank of Bosnia and Herzegovina (CBBH) thereafter; and staff estimates.

1/ Consolidated balance sheet of commercial banks operating in the Bosniac-majority area of the Federation. Excluding the National Bank of Bosnia and Herzegovina (NBBH) classified among deposit money banks as of August 1997.

2/ Including mostly public enterprises.

3/ Including claims on nonbank financial institutions, households, and other nongovernment sectors.

4/ Including deposits of households, and other nongovernment sectors.

5/ Including assets and liabilities relating to frozen foreign exchange deposits.

6/ Including deposits in domestic and foreign currencies.

7/ Including deposits of noncentral government, nonbank financial institutions, nonfinancial enterprises, households, and other nongovernment sectors.

Table 17. Bosnia and Herzegovina: Summary Balance Sheet of the Commercial Banks Formerly Reporting to the Federation Ministry of Finance, Dec. 1994-Dec. 1997 1/

(In millions of convertible marka; end of period)

	1994	1995	1996				1997			
	Dec.	Dec.	Mar.	Jun.	Sept.	Dec.	Mar.	Jun.	Sep.	Dec.
<b>Assets</b>	120.9	193.0	205.8	191.9	239.8	303.6	293.4	353.9	419.9	524.0
Foreign assets	53.2	47.9	51.2	38.4	52.7	72.3	80.0	87.6	120.1	129.5
Short-term	53.2	47.8	51.1	37.5	52.7	72.3	80.0	87.6	97.0	107.7
Long-term	0.0	0.1	0.1	0.9	0.0	0.0	0.0	0.0	23.1	21.8
Domestic assets	67.7	145.1	154.5	153.5	187.1	231.2	213.4	266.3	299.8	394.5
Claims on general government	4.9	3.8	3.9	4.0	2.1	6.5	6.4	8.9	2.2	2.3
Central government	3.9	3.8	3.9	0.4	2.1	6.5	6.4	8.4	1.9	1.9
Other government	1.0	0.0	0.0	3.6	0.0	0.0	0.0	0.4	0.2	0.3
Claims on nonfinancial enterprises 2/	38.2	68.1	73.4	78.6	82.0	104.0	111.5	137.1	162.3	199.6
Claims on private sector 3/	6.0	7.9	8.7	1.0	0.5	1.0	0.4	2.5	2.7	38.4
Reserves	18.6	65.4	68.5	69.9	102.5	119.7	95.0	117.9	132.5	154.2
Required deposits with monetary authorities	10.6	21.3	20.9	14.5	14.4	15.5	14.4	15.0	17.0	16.8
Other deposits and claims	8.0	44.1	47.6	55.3	88.1	104.3	80.6	102.9	115.5	137.4
<b>Liabilities</b>	120.9	193.0	205.8	191.9	239.8	303.6	293.4	353.9	419.9	524.0
Foreign liabilities	7.4	12.2	12.8	21.7	30.5	17.1	16.2	31.6	31.6	64.3
Short-term	1.0	6.4	6.4	5.9	8.0	10.8	9.7	14.1	14.9	40.9
Long-term	6.4	5.8	6.3	15.8	22.5	6.3	6.5	17.5	16.6	23.3
Domestic liabilities	113.5	180.8	193.0	170.2	209.3	286.5	277.2	322.3	388.3	459.7
Demand deposits	87.3	130.6	133.7	123.9	146.0	193.2	172.4	188.2	212.5	238.0
General government	18.1	24.6	27.0	28.4	38.2	42.1	43.9	53.0	40.9	29.6
Central government	5.9	8.2	6.5	8.2	17.6	25.7	25.8	34.9	20.2	16.6
Other government	12.1	16.4	20.6	20.1	20.6	16.3	18.1	18.2	20.7	13.0
Other	69.2	106.0	106.7	95.5	107.8	151.2	128.5	135.2	171.6	208.4
Nonbank financial institutions	1.1	1.3	1.7	0.8	3.6	2.6	2.1	2.7	1.0	2.7
Nonfinancial enterprises	52.8	84.5	83.6	65.8	79.6	111.5	90.7	90.6	110.3	136.9
Other 4/	15.4	20.2	21.4	28.9	24.7	37.1	35.8	41.9	60.3	68.8
Time and saving deposits	6.9	21.6	24.8	28.5	30.8	48.0	55.6	68.6	122.5	163.3
General government	0.0	0.0	0.0	3.3	3.3	4.6	4.3	5.2	26.6	29.7
Central government	0.0	0.0	0.0	1.1	1.1	2.4	2.1	2.9	17.4	17.5
Other government	0.0	0.0	0.0	2.2	2.2	2.2	2.2	2.3	9.2	12.2
Other 4/	6.9	21.6	24.8	25.3	27.4	43.5	51.3	63.4	95.9	133.6
Nonbank financial institutions	0.0	0.0	0.0	0.0	0.0	4.4	4.4	5.1	1.7	3.0
Nonfinancial public enterprises	4.8	15.0	18.8	9.5	19.2	25.9	26.4	31.4	39.0	60.3
Other 4/	2.1	6.7	6.0	15.8	8.2	13.1	20.5	26.9	55.2	70.3
Other items (net) 5/	19.4	28.6	34.5	17.8	32.6	45.3	49.3	65.5	53.3	58.3
<b>Memorandum item</b>										
Total deposits 6/	24.9	46.2	51.8	56.9	69.0	90.1	99.4	121.6	163.4	192.9
Demand deposits	18.1	24.6	27.0	28.4	38.2	42.1	43.9	53.0	40.9	29.6
Central government	5.9	8.2	6.5	8.2	17.6	25.7	25.8	34.9	20.2	16.6
Other 7/	12.1	16.4	20.6	20.1	20.6	16.3	18.1	18.2	20.7	13.0
Time, and savings deposits	6.9	21.6	24.8	28.5	30.8	48.0	55.6	68.6	122.5	163.3
Central government	0.0	0.0	0.0	1.1	1.1	2.4	2.1	2.9	17.4	17.5
Other 7/	6.9	21.6	24.8	27.5	29.6	45.7	53.5	65.7	105.1	145.8

Sources: Data provided by the Federation Ministry of Finance until July 1997, and the Central Bank of Bosnia and Herzegovina (CBBH) thereafter, and staff estimates.

1/ Consolidated balance sheet of commercial banks operating in the Croat-majority area of the Federation.

2/ Including mostly public enterprises.

3/ Including claims on nonbank financial institutions, households, and other nongovernment sectors.

4/ Including deposits of households, and other nongovernment sectors.

5/ Including assets and liabilities relating to frozen foreign exchange deposits.

6/ Including deposits in foreign currencies only.

7/ Including deposits of noncentral government, nonbank financial institutions, nonfinancial enterprises, households, and other nongovernment sectors.

Table 18. Bosnia and Herzegovina: Summary Balance Sheet of the Commercial Banks in the Republika Srpska Dec.1994-Dec.1997 1/

(In millions of convertible marka; end of period)

	1994 Dec	1995 Dec	1996 Mar	1996 Jun	1996 Sept	1996 Dec	1997 Mar	1997 Jun	1997 Sep.	1997 Dec.
<b>Assets</b>	696.2	469.1	488.9	482.4	505.1	505.7	521.0	542.7	575.3	603.1
Foreign assets (Short-term)	40.4	50.9	61.8	46.7	58.9	39.2	34.9	45.7	58.1	62.9
Domestic assets	655.8	418.3	427.1	435.7	446.2	466.5	486.1	497.0	517.2	540.2
Claims on central government	1.5	1.9	1.4	0.8	0.8	1.4	0.9	1.5	1.9	2.0
Claims on nonfinancial enterprises 2/	631.1	400.8	421.7	431.8	442.8	457.7	481.5	491.0	514.8	537.6
Claims on other sectors 3/	0.6	0.2	0.3	0.4	0.5	0.5	0.5	0.5	0.5	0.6
Reserves	22.6	15.3	3.7	2.6	2.0	6.9	3.2	4.1	0.0	0.0
Required deposits with monetary authorities	2.8	1.1	2.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other deposits and claims	19.7	14.2	1.1	2.6	2.0	6.9	3.2	4.1	0.0	0.0
<b>Liabilities</b>	696.2	469.1	488.9	482.4	505.1	505.7	521.0	542.7	575.3	603.1
Foreign liabilities	382.1	342.3	347.9	347.7	356.9	358.9	372.5	380.6	383.0	387.3
Short-term	1.3	1.1	1.1	2.7	5.4	3.8	4.5	6.9	6.1	6.9
Long-term	380.8	341.2	346.8	345.0	351.5	355.1	368.1	373.7	376.9	380.5
Domestic liabilities	314.1	126.8	141.1	134.7	148.2	146.8	148.5	162.1	192.3	215.8
Demand deposits	69.3	38.9	22.9	23.6	29.7	31.9	25.3	27.6	62.2	74.0
Central government	17.1	5.3	3.1	2.8	2.7	3.6	2.5	3.4	4.9	4.8
Other	52.3	33.6	19.8	20.9	27.0	28.3	22.7	24.2	57.3	69.2
Nonbank financial institutions	1.6	2.6	1.5	0.6	0.2	0.2	0.2	0.2	0.2	0.2
Nonfinancial enterprises 2/	47.7	28.9	15.8	16.4	19.4	20.4	18.3	20.5	35.0	39.3
Other 4/	3.0	2.1	2.5	3.8	7.4	7.7	4.3	3.4	22.1	29.8
Time and saving deposits	92.2	43.7	50.5	35.2	44.4	31.3	38.6	42.7	48.4	59.6
Central government	16.6	31.3	36.4	19.4	27.2	10.0	12.5	12.6	16.8	19.5
Other 4/	75.6	12.4	14.1	15.8	17.2	21.4	26.1	30.2	31.7	40.0
Nonbank financial institutions	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Nonfinancial public enterprises	75.6	12.4	14.1	15.8	17.2	21.4	26.1	30.2	31.7	40.0
Credit from monetary authorities	5.4	15.1	14.8	15.5	17.2	24.6	13.3	12.7	0.0	0.0
General purpose credit to banks	5.4	4.5	8.9	8.6	9.7	16.5	8.9	8.9	0.0	0.0
Selective lending to banks	0.0	2.9	2.7	3.7	4.4	5.0	1.2	0.6	0.0	0.0
Other	0.0	7.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Bonds	0.0	0.0	0.0	0.0	0.0	0.0	9.0	9.4	13.9	13.9
Other items (net) 5/	147.2	29.1	52.9	60.4	56.8	58.9	62.2	69.7	67.7	68.2
<b>Memorandum item</b>										
Total deposits 6/	161.5	82.6	73.4	58.9	74.1	63.2	63.9	70.3	110.7	133.6
Demand deposits	69.3	38.9	22.9	23.6	29.7	31.9	25.3	27.6	62.2	74.0
Central government	17.1	5.3	3.1	2.8	2.7	3.6	2.5	3.4	4.9	4.8
Other 7/	52.3	33.6	19.8	20.9	27.0	28.3	22.7	24.2	57.3	69.2
Time, and savings deposits	92.2	43.7	50.5	35.2	44.4	31.3	38.6	42.7	48.4	59.6
Central government	16.6	31.3	36.4	19.4	27.2	10.0	12.5	12.6	16.8	19.5
Other 7/	75.6	12.4	14.1	15.8	17.2	21.4	26.1	30.2	31.7	40.0

Sources: Data provided by the National Bank of the Republika Srpska (NBRSS); and staff estimates.

1/ Excluding the National Bank of Republika Srpska (NBRSS) classified among deposit money banks as of August 1997. At the official exchange rate of the Yugoslav dinar (YUD) 1 per DM until November 16, 1995 and YUD 3.3 per DM thereafter; during the period 1992-97, the YUD was the sole legal tender of the Republika Srpska.

2/ Including mostly public enterprises.

3/ Including claims on nonbank financial institutions, households, and other nongovernment sectors.

4/ Including deposits of households, and other nongovernment sectors.

5/ Including assets and liabilities relating to frozen foreign exchange deposits.

6/ Including deposits in foreign currencies only.

7/ Including deposits of noncentral government, nonbank financial institutions, nonfinancial enterprises, households, and other nongovernment sectors.

Table 19. Bosnia and Herzegovina: Monetary Survey, Dec.1994-Dec.1997 1/

(In millions of convertible marka; end of period)

	1994	1995	1996				1997				
	Dec.	Dec.	Mar.	Jun.	Sept.	Dec.	Mar.	Jun.	Sep.	Dec.	
Assets	363.8	395.2	455.9	505.7	654.8	775.0	765.0	837.3	970.0	968.9	
Foreign assets (net)	-2,186.4	-2,034.2	-1,916.6	-1,965.5	-1,751.4	-1,715.8	-1,868.0	-1,819.0	-1,743.0	-1,760.5	
Foreign assets	671.6	810.2	999.3	1,099.7	1,342.6	1,409.3	1,359.0	1,517.0	1,639.0	1,555.0	
Foreign assets (MAs)	144.0	297.0	407.4	514.2	692.0	712.0	675.0	796.0	693.0	636.0	
Foreign assets (DMBs)	527.6	513.2	591.9	585.5	650.6	697.3	684.0	721.0	946.0	919.0	
Foreign liabilities	-2,857.9	-2,844.4	-2,915.9	-3,065.1	-3,094.0	-3,125.1	-3,227.0	-3,336.0	-3,382.0	-3,315.6	
Foreign liabilities (MA)	-34.2	-98.5	-104.2	-127.2	-130.4	-137.5	-149.0	-155.0	0.0	0.0	
Foreign liabilities (DMBs)	-2,823.8	-2,745.9	-2,811.7	-2,938.0	-2,963.5	-2,987.6	-3,078.0	-3,181.0	-3,382.0	-3,315.6	
Domestic assets (net)	2,550.2	2,429.4	2,372.5	2,471.2	2,406.2	2,490.8	2,633.0	2,656.3	2,713.0	2,729.4	
Claims on central government (net) 2/	10.0	-95.0	-151.2	-220.0	-294.4	-278.0	-261.0	-363.0	-427.0	-360.0	
Other claims	2,540.2	2,524.4	2,523.7	2,691.2	2,700.6	2,768.8	2,894.0	3,019.3	3,140.0	3,089.4	
Claims on nonfinancial enterprises 3/	2,781.6	2,531.1	2,610.9	2,918.1	2,933.9	3,057.0	3,259.0	3,410.0	3,593.0	3,570.0	
Other claims 4/	106.2	85.5	91.1	38.1	37.3	91.8	96.0	80.3	111.0	137.0	
Other items (net) 5/	-347.6	-92.2	-178.3	-265.0	-270.6	-380.0	-461.0	-471.0	-564.0	-617.6	
Liabilities											
Broad money	364.1	394.7	455.9	505.7	654.8	774.7	765.0	837.3	970.0	968.9	
Money	13.0	56.4	62.3	91.6	125.0	354.0	329.0	355.0	321.0	253.9	
Currency outside banks 6/	1.8	27.6	20.2	36.0	61.5	96.0	88.0	89.0	89.0	112.5	
Demand deposits	11.2	28.8	42.1	55.6	63.5	258.0	241.0	266.0	232.0	141.4	
Demand deposits of nonfinancial enterprises 3/	8.0	26.0	36.9	33.9	52.7	184.0	158.0	177.0	193.0	101.0	
Other 4/	3.2	2.8	5.2	21.7	10.8	74.0	83.0	89.0	39.0	40.4	
Quasi-money	351.1	338.4	393.6	414.1	529.8	420.7	436.0	482.3	649.0	715.0	
Time and saving deposits in BH dinars	1.4	3.9	4.1	5.6	4.4	7.1	15.0	18.3	11.0	9.0	
Foreign currency deposits	349.7	334.4	389.5	408.5	525.3	413.6	421.0	464.0	638.0	706.0	
Demand deposits	230.7	287.4	331.7	334.9	438.3	300.0	275.0	274.0	387.0	412.0	
Nonfinancial enterprises 3/	154.0	222.0	186.2	171.2	238.5	255.0	230.0	238.0	250.0	262.0	
Other 4/	76.7	65.4	145.5	163.7	199.8	45.0	45.0	36.0	137.0	150.0	
Time and saving deposits	119.0	47.0	57.9	73.7	87.0	113.6	146.0	190.0	251.0	294.0	
Nonfinancial enterprises 3/	82.0	34.0	37.4	45.9	59.3	73.0	89.0	120.0	138.0	154.0	
Other 4/	37.0	13.0	20.5	27.8	27.8	40.6	57.0	70.0	113.0	140.0	
Memorandum items:											
				(Changes in percent of beginning of year broad money stock)							
Foreign assets (net)	....	41.8	29.8	17.4	71.6	80.7	-19.6	-13.3	-3.5	-5.8	
Foreign assets	....	38.1	47.9	73.3	134.9	151.8	-6.5	13.9	29.6	18.8	
Foreign liabilities	....	3.7	-18.1	-55.9	-63.2	-71.1	-13.2	-27.2	-33.2	-24.6	
Domestic assets (net)	....	-33.2	-14.4	10.6	-5.9	15.5	18.4	21.4	28.7	30.8	
Claims on central government (net) 2/	....	-28.8	-14.2	-31.7	-50.5	-46.4	2.2	-11.0	-19.2	-10.6	
Other claims 4/	....	-4.3	-0.2	42.2	44.6	61.9	16.2	32.3	47.9	41.4	
Broad money	....	8.4	15.5	28.1	65.9	96.3	-1.3	8.1	25.2	25.1	
Money	....	11.9	1.5	8.9	17.4	75.4	-3.2	0.1	-4.3	-12.9	
Quasi-money	....	-3.5	14.0	19.2	48.5	20.9	2.0	7.9	29.5	38.0	

Source: Data provided by the Central Bank of Bosnia and Herzegovina (CBBH), the National Bank of Bosnia and Herzegovina (NBBH), the Federation Ministry of Finance and the National Bank of the Republika Srpska (NBRSS); and staff estimates.

1/ At the official exchange rate for the convertible marka (KM), the BH dinar (BHD) and the Yugoslav dinar (YUD) and market exchange rate of Croatian kuna.

2/ Net claims on Entity governments.

3/ Including mostly public enterprises.

4/ Including noncentral government, nonbank financial institutions, households, and other private sector.

5/ Including assets and liabilities to frozen foreign exchange deposits.

6/ Excluding foreign currencies.

Table 20. Bosnia and Herzegovina: Monetary Survey for the Area of the Federation Formerly under NBBH Arrangements, Dec. 1994-Jul. 1997 1/

(In millions of convertible marka; end of period)

	1994 Dec.	1995 Dec.	1996 Mar.	1996 Jun.	1996 Sept.	1996 Dec.	1997 Mar.	1997 Jun.	1997 Jul.
<b>Assets</b>	145.7	195.7	274.5	323.2	448.9	509.3	515.0	561.6	561.4
Foreign assets (net)	-1,924.2	-1,818.1	-1,724.8	-1,746.0	-1,583.0	-1,595.8	-1,738.3	-1,710.6	-1,789.9
Foreign assets 2/	510.1	642.7	800.9	898.1	1,068.6	1,089.6	1,024.9	1,135.1	1,157.3
Foreign assets (NBBH)	76.2	228.3	322.0	397.7	529.6	503.8	455.9	547.8	557.8
Foreign assets (DMBs)	433.9	414.4	478.8	500.4	539.0	585.8	569.0	587.3	599.5
Foreign liabilities	-2,434.3	-2,460.8	-2,525.7	-2,644.1	-2,651.6	-2,685.5	-2,763.2	-2,845.7	-2,947.2
Foreign liabilities (NBBH)	0.0	-69.5	-74.6	-75.5	-75.5	-73.9	-73.9	-76.7	-76.7
Foreign liabilities (DMBs)	-2,434.3	-2,391.3	-2,451.1	-2,568.6	-2,576.1	-2,611.6	-2,689.3	-2,769.0	-2,870.4
Domestic assets (net)	2,069.9	2,013.9	1,999.3	2,069.2	2,032.0	2,105.1	2,253.3	2,272.2	2,351.2
Domestic credit	2,206.0	2,025.1	2,048.5	2,206.5	2,164.9	2,278.4	2,464.6	2,470.7	2,584.3
Claims on central government (net) 3/	-4.8	-114.4	-149.3	-228.6	-273.4	-297.9	-282.6	-371.8	-364.5
Monetary authorities	-11.0	-117.5	-151.5	-234.7	-279.6	-241.0	-208.1	-304.6	-291.6
Claims on central government	21.0	32.8	26.3	48.9	48.5	46.3	42.4	42.4	43.2
Deposits of central government	-32.0	-150.2	-177.8	-283.6	-328.1	-287.4	-250.5	-346.9	-334.7
Deposit money banks	6.2	3.1	2.1	6.1	6.1	-56.8	-74.5	-67.3	-72.9
Claims on central government	7.6	4.5	4.0	6.7	6.7	6.7	9.7	9.1	9.5
Deposits of central government	-1.4	-1.5	-1.8	-0.6	-0.5	-63.5	-84.2	-76.4	-82.4
Other claims 4/	2,210.8	2,139.5	2,197.8	2,435.2	2,438.3	2,576.3	2,747.2	2,842.5	2,948.7
Other items (net) 5/	-136.1	-11.3	-49.2	-137.4	-132.9	-173.3	-211.3	-198.5	-233.0
<b>Liabilities</b>									
Broad money	145.7	195.7	274.5	323.2	448.9	509.3	515.0	561.6	561.4
Money	12.6	48.4	70.1	92.5	137.0	187.2	183.1	201.4	207.2
Currency outside banks 6/	1.8	19.9	20.2	36.0	61.5	96.5	87.7	89.0	95.1
Demand deposits	10.9	28.5	49.9	56.5	75.5	90.7	95.4	112.5	112.1
Quasi-money	133.1	147.3	204.4	230.7	311.9	322.1	332.0	360.1	354.2
Time and saving deposits in BHD	1.4	3.9	4.1	5.6	4.4	7.1	15.6	18.3	17.5
Foreign currency deposits	131.6	143.4	200.3	225.1	307.5	315.0	316.3	341.8	336.7
Demand deposits	96.1	130.2	181.3	194.8	267.5	249.8	249.8	247.7	243.2
Time and saving deposits	35.5	13.2	19.0	30.3	40.0	47.4	66.6	94.1	93.5
<b>Memorandum items:</b>									
			(Changes in percent of beginning of year broad money stock)						
Foreign assets (net)	....	72.8	47.7	36.9	120.1	113.6	-28.0	-22.5	-38.1
Monetary authorities	....	56.7	45.3	83.5	150.9	138.5	-9.4	8.1	10.0
Deposit money banks	....	16.1	2.4	-46.7	-30.8	-25.0	-18.6	-30.6	-48.1
Domestic assets (net)	....	-38.5	-7.4	28.2	9.2	46.6	29.1	32.8	48.3
Domestic credit	....	-124.1	11.9	92.7	71.4	129.4	36.6	37.8	60.0
Claims on central government (net) 3/	....	-75.2	-17.9	-58.4	-81.3	-93.7	3.0	-14.5	-13.1
Monetary authorities	....	-73.1	-17.4	-59.9	-82.8	-63.1	6.5	-12.5	-9.9
Deposit money banks	....	-2.2	-0.5	1.5	1.6	-30.6	-3.5	-2.0	-3.2
Other claims 4/	....	-48.9	29.8	151.0	152.7	223.1	33.6	52.3	73.1
Other items (net) 5/	....	85.7	-19.4	-64.4	-62.1	-82.8	-7.5	-4.9	-11.7
Broad money	....	34.3	40.2	65.1	129.4	160.2	1.1	10.3	10.2
Money	....	24.6	11.1	22.5	45.2	70.9	-0.8	2.8	3.9
Quasi-money	....	9.8	29.2	42.6	84.1	89.3	1.9	7.5	6.3

Source: Data provided by the National Bank of Bosnia and Herzegovina (NBBH); and staff estimates.

1/ Covers the Bosniac-majority area of the Federation. At the official exchange rate of BHD 100 per DM.

2/ Including foreign assets held in the payments bureau.

3/ Net claims on Entity government.

4/ Including noncentral government, nonbank financial institutions, nonfinancial public and private enterprises, households, and other private sector.

5/ Including assets and liabilities relating to frozen foreign exchange deposits.

6/ Excluding foreign currencies.



Table 21. Bosnia and Herzegovina: Monetary Survey for the Republika Srpska (RS), Dec. 1994-Dec. 1997 1/

(In millions of convertible marka; end of period)

	1994	1995	1996				1997				
	Dec.	Dec.	Mar.	Jun.	Sept.	Dec.	Mar.	Jun.	Sept.	Dec.	
<b>Assets</b>	130	55	37	40	48	53	52	55	93	116	
Foreign assets (net)	-320	-313	-302	-318	-306	-318	-311	-303	-283	-286	
Foreign assets	96	58	76	81	106	104	136	155	179	180	
Foreign assets (NBRSS)	55	7	14	35	47	65	101	110	121	117	
Foreign assets (DMBs)	40	51	62	47	59	39	35	46	58	63	
Foreign liabilities	-416	-371	-377	-399	-412	-423	-447	-459	-462	-466	
Foreign liabilities (NBRSS)	-34	-29	-30	-52	-55	-64	-75	-78	-79	-79	
Foreign liabilities (DMBs)	-382	-342	-348	-348	-357	-359	-373	-381	-383	-387	
Domestic assets (net)	450	369	339	359	354	371	363	359	376	402	
Domestic credit	649	425	441	466	475	501	528	532	553	579	
Claims on central government (net) 2/	17	24	19	34	31	42	43	38	35	38	
Monetary authorities	49	58	57	55	60	54	57	52	54	60	
Claims on central government	55	64	64	64	64	64	64	64	64	64	
Deposits of central government	-6	-5	-6	-8	-3	-10	-6	-11	-9	-4	
Deposit money banks	-32	-35	-38	-21	-29	-12	-14	-14	-20	-22	
Claims on central government	2	2	1	1	1	1	2	2	2	2	
Deposits of central government	-34	-37	-40	-22	-30	-14	-15	-16	-22	-24	
Other claims 3/	632	401	422	432	443	459	485	494	518	541	
Other items (net) 4/	-198	-56	-103	-108	-121	-129	-165	-173	-177	-176	
<b>Liabilities</b>											
Broad money	130	55	37	40	48	53	52	55	93	116	
Money	0	8	0	0	0	0	0	0	0	0	
Currency outside banks 5/	0	8	0	0	0	0	0	0	0	0	
Demand deposits	0	0	0	0	0	0	0	0	0	0	
Quasi-money	130	48	37	40	48	53	52	55	93	116	
Time and saving deposits in BHD	0	0	0	0	0	0	0	0	0	0	
Foreign currency deposits	130	48	37	40	48	53	52	55	93	116	
Demand deposits	53	35	23	24	30	31	26	25	61	76	
Time and saving deposits	77	13	14	16	17	21	26	30	32	40	
Memorandum items:											
				(Changes in percent of beginning of year broad money stock)							
Foreign assets (net)	...	6	21	-9	13	-9	14	28	68	61	
Monetary authorities	...	-33	11	8	25	42	48	57	77	69	
Deposit money banks	...	39	10	-17	-12	-51	-34	-29	-10	-9	
Domestic assets (net)	...	-63	-54	-18	-27	5	-16	-23	8	59	
Domestic credit	...	-172	30	75	90	137	52	60	98	147	
Claims on central government (net) 3/	...	5	-8	19	14	33	3	-8	-14	-8	
Monetary authorities	...	7	-1	-5	3	-8	6	-4	1	11	
Deposit money banks	...	-2	-6	24	10	41	-4	-4	-14	-19	
Other claims 3/	...	-178	38	56	76	104	49	67	112	155	
Other items (net) 4/	...	110	-84	-93	-117	-132	-68	-83	-90	-89	
Broad money	...	-57	-33	-27	-14	-5	-2	5	76	119	
Money 5/	...	6	-14	-14	-14	-14	0	0	0	0	
Quasi-money	...	-63	-19	-13	0	9	-2	5	76	119	

Source: Data provided by the National Bank of Republika Srpska (NBRSS); and staff estimates.

1/ Area under the monetary arrangements of the National Bank of Republika Srpska (NBRSS). At the official exchange rate of YUD 1 per DM until November 16, 1995 and YUD 3.3 per UM thereafter, YUD was the sole legal tender of the Republika Srpska during the period 1994-97.

2/ Net claims on Entity government.

3/ Including noncentral government, nonbank financial institutions, nonfinancial public and private enterprises, households and other private sector.

4/ Including assets and liabilities relating to frozen foreign exchange deposits.

5/ Excluding foreign currencies.

Table 22. Bosnia and Herzegovina: Selected Interest Rates of the National Bank of Bosnia and Herzegovina (NBBH), 1994-97 1/

(In percent per annum; unless otherwise indicated) 2/

	1994 3/		1995 4/		1996			1997 5/	
	Dec.	Dec.	Mar. 4/	Jun. 5/	Jul. 5/	Dec. 5/	Mar.	Jun.	Jul.
<b>NBBH lending rates</b>									
Discount rate	20.0	10.0	10.0	20.0	20.0	20.0	10.0	10.0	10.0
Selective lending 6/		3.0	3.0						
Penalty rate	30.0	15.0	15.0	30.0	3.0	30.0	30.0	30.0	30.0
Credit to the government	6.0	5.0	5.0	10.0	10.0	10.0	10.0	10.0	10.0
<b>NBBH deposit rates</b>									
<b>Required reserves</b>									
Demand and time deposits (with up to 3-month maturity)	5.0	2.5	2.5	2.0	2.0	2.0	2.0	2.0	2.0
<b>Voluntary holdings</b>									
Up to 3-month maturity	5.0	2.5	2.5	3.0	3.0	3.0	2.0	2.0	2.0
More than 3-month maturity	6.0	3.0	3.0	3.5	3.5	3.5	3.0	3.0	3.0

Source: Data provided by the National Bank of Bosnia and Herzegovina (NBBH).

1/ The NBBH ceased to function as monetary authority upon the opening of the Central Bank of Bosnia and Herzegovina (CBBH) on August 12, 1997. For statistical purposes, NBBH has been reclassified as deposit money bank as of that date.

2/ Interest rates as of end of period.

3/ Monthly interest rates.

4/ Quarterly interest rates

5/ Yearly interest rates.

6/ Selective lending to agricultural and export activities was introduced in April 1995 and abolished in April 1996.

Table 23. Bosnia and Herzegovina: Selected Interest Rates of the National Bank of Republika Srpska (NBRSS), 1995-97 1/

(In percent per annum)

	1995		1996			1997		
	Dec.	Mar.	Jun.	Sept.	Dec.	Mar.	Jun.	Jul.
<b>NBRSS lending rates</b>								
Discount rate	90.2	106.0	71.7	71.1	68.2	33.7	35.0	33.7
Penalty rate	144.3	169.6	113.8	113.8	109.0	54.0	56.1	54.0
<b>NBRSS deposit rates</b>								
Required reserves	45.1	53.0	35.6	35.6	34.1	16.9	17.5	16.9
Promissory notes 2/	135.3	159.0	106.7	213.3	346.0	77.6	81.1	77.6

Source: Data provided by the National Bank of the Republika Srpska (NBRSS); and staff estimates.

1/ The NBRSS legally ceased to function as monetary authority upon the opening of the Central Bank of Bosnia and Herzegovina (CBBH) on August 12, 1997. For statistical purposes, NBRSS has been reclassified as deposit money bank as of that date.

2/ Held by commercial banks in fulfillment of liquidity requirement.

Table 24. Bosnia and Herzegovina: Selected Interest Rates of Commercial Banks in the Bosniac-Majority Area, Mar-Dec. 1997

(In percent per annum) 1/

	1997					
	Min.	Jun. Max.	Min.	Sept. Max.	Min.	Dec. Max.
<b>Lending</b>						
<b>Short-term</b>						
Nonfinancial public enterprises	10.0	51.0	18.0	42.6	18.0	42.6
Private enterprises and cooperatives	10.0	45.0	15.0	51.1	17.0	75.0
Households	9.4	51.1	8.0	42.6	8.0	51.1
<b>Long-term</b>						
Nonfinancial public enterprises	7.0	30.0	7.0	30.0	5.0	30.0
Private enterprises and cooperatives	2.0	30.0	2.0	30.0	2.0	30.0
Households	3.5	30.0	5.0	30.0	5.0	30.0
<b>Deposit</b>						
<b>Demand deposits</b>						
Nonfinancial public enterprises	2.0	26.0	1.0	15.4	1.0	26.0
Private enterprises and cooperatives	1.0	26.0	1.0	12.0	1.0	26.0
Households	1.4	30.0	1.4	12.0	1.4	30.0
<b>Time and Savings deposits</b>						
Nonfinancial public enterprises	3.0	13.0	3.0	15.8	3.0	15.8
Private enterprises and cooperatives	3.0	19.6	3.0	19.6	3.0	19.6
Households	3.0	19.6	3.0	29.3	3.0	25.0

Source: Data provided by the National Bank of Bosnia and Herzegovina (NBBH) until August 1997, and by the Central Bank of Bosnia and Herzegovina (CBBH) thereafter.

1/ Annual interest rates as of end of period. Data for earlier periods are not available under the same format.

Table 25. Bosnia and Herzegovina: Selected Interest Rates of Commercial Banks in the Republika Srpska (RS), 1996-97 1/

(In percent per annum)

	1996				1997			
	Mar	Jun	Sept	Dec	Mar	Jun	Sept	Dec
<b>Lending</b>								
<b>Short-term</b>								
Exports of goods and services	...	101.0	23.6	39.7	12.1	33.8	36.9	20.3
Agriculture	...	89.8	42.6	75.9	74.3	58.9	50.0	50.0
Interbank loans	...	213.8	174.0	156.3	119.1	213.8	213.8	60.0
Households	...	...	71.1	...	33.7	81.1	81.1	77.6
Long-term	...	...	...	38.0	...	37.6	31.6	51.9
<b>Deposits</b>								
<b>Demand deposits</b>								
Legal entities	...	1.2	0.8	1.2	1.1	2.1	1.3	3.3
Households	...	3.8	2.0	1.3	1.5	4.2	5.3	2.6
<b>Time deposits (3-month)</b>								
Legal entities	...	37.1	47.0	54.4	30.7	32.3	33.5	33.4
Households	...	128.0	71.1	68.2	33.7	70.8	70.8	

Source: Data provided by the National Bank of the Republika Srpska (NBRS).

1/ Weighted interest rates levied by commercial banks reporting to the National Bank of Republika Srpska (NBRS).

Table 26. Bosnia and Herzegovina: Foreign Trade of the Federation, 1996-97 1/  
(In thousands of US dollars)

	Exports		Imports		Trade balance	
	1996	1997	1996	1997	1996	1997
Total	57,832	87,325	1,172,577	1,225,016	-1,114,745	-1,137,691
Manufacturing and Mining	48,458	61,750	194,273	285,844	-145,815	-224,094
Electric power industry	253	5,712	19,668	39,561	-19,415	-33,849
Coal mining	629	417	6,807	14,609	-6,178	-14,192
Coal processing	5	92	350	60	-345	32
Extraction of petroleum and natural gas	0	0	88	22	-88	-22
Petroleum refineries	0	4	75	1,902	-75	-1,898
Iron or mining	0	0	0	0	0	0
Iron and steel basic ind.	7,043	12,372	7,606	12,192	-563	180
Nonferrous ore mining	0	0	31	0	-31	0
Nonferrous metal basic ind.	11	75	377	1,521	-366	-1,446
Smelting, alloying & refining (nonferrous)	35	282	3,133	1,413	-3,098	-1,131
Extraction, nonmetallic minerals	1,331	891	305	402	1,026	489
Manuf. of nonmetallic mineral products	123	5	587	522	-464	-517
Manuf. of fabricated metal products	4,517	5,305	33,890	22,857	-29,373	-17,552
Manuf. of machinery	403	863	1,538	3,317	-1,135	-2,454
Manuf. of transport equip.	6,481	3,436	6,564	4,956	-83	-1,520
Shipbuilding	0	0	0	0	0	0
Manuf. of electrical machinery and equip.	264	4,576	5,064	28,735	-4,800	-24,159
Manuf. of basic chemical prod.	25	128	1,782	869	-1,757	-741
Processing of chemicals	1,377	1,465	6,455	17,440	-5,078	-15,975
Stone quarrying. Gravel, sand pits	947	19	6,050	3,172	-5,103	-3,153
Manuf. of building materials	209	100	2,624	6,069	-2,415	-5,969
Sawmills and wood manufacturing	7,010	5,736	1,958	1,357	5,052	4,379
Finished wood products	10,625	11,884	7,662	13,365	2,963	-1,481
Paper and paper products	539	443	1,914	15,155	-1,375	-14,712
Textile yarn and fabrics	553	166	1,419	890	-866	-724
Finished textile products	1,507	668	6,731	7,815	-5,224	-7,147
Leather and furs	1,032	90	394	0	638	90
Foot wear and fancy goods	1,601	2,200	3,662	10,657	-2,061	-8,457
Rubber products	25	11	61	382	-36	-371
Foodstuffs	395	1,058	39,877	50,224	-39,482	-49,166
Beverages	24	208	10,379	9,813	-10,355	-9,605
Animal feed	4	5	86	30	-82	-25
Tobacco	1	972	10,155	12,067	-10,154	-11,095
Printing	198	420	5,887	3,631	-5,689	-3,211
Finishing, processing and manuf. of raw materials from waste	1,247	1,844	157	195	1,090	1,649
Manuf. of misc. products	44	303	937	644	-893	-341
Agriculture and Fisheries	973	315	3,944	6,135	-2,971	-5,820
Forestry	69	981	720	648	-651	333
Trade	6,608	16,535	832,085	685,581	-825,477	-669,046
Other	1,724	7,744	141,555	246,808	-139,831	-239,064

Sources: Federation Institute of Statistics.

1/ Data on merchandise trade are particularly weak and unreliable and should be used with great caution.

Table 27. Bosnia and Herzegovina: Balance of Payments, 1994-97  
(In millions of US dollars)

	1994 Est.	1995 Est.	1996 Est.	1997 Est.
Trade balance	-803	-930	-1,546	-1,628
Exports, f.o.b.	91	152	336	570
Imports, f.o.b.	-894	-1,082	-1,882	-2,199
Reconstruction	0	0	-796	-688
Humanitarian (in-kind)	-561	-459	-246	-360
Other	-333	-623	-840	-1,151
Services, net	-88	-23	-74	39
Receipts	103	229	322	427
Expenditure	-191	-252	-396	-388
of which: transport for reconstruction	...	...	-111	-103
transport for humanitarian goods	-118	-97	-73	-76
other	-73	-155	-313	-209
Income, net	-165	-242	-222	-228
Interest due 1/	-165	-242	-222	-228
Unrequited transfers, net	879	1,002	1,094	772
Receipts	888	1,073	1,251	852
Official	315	377	558	422
UN agencies	300	297	501	372
Donations of goods & serv	265	262	436	306
Local procurement	35	35	65	66
Other	15	80	57	50
Private	573	696	693	430
Cash	158	401	301	300
Donations of goods & serv	415	295	392	130
Expenditure	-9	-71	-157	-80
Current account balance	-177	-193	-748	-1,046
Excl. official transfers	-492	-570	-1,306	-1,468
Capital transfers for reconstruction	0	0	796	689
Foreign investment	0	0	0	0
Multilateral and Paris Club creditors	-119	-144	628	162
Disbursements for reconstruction	...	...	865	212
Reconstruction	...	...	244	212
Other 2/	...	...	621	0
Amortization	-119	-144	-237	-50
Existing debt	-119	-144	-237	-50
New debt	...	...	0	0
Other creditors	-139	-127	-114	-107
Disbursements	0	0	0	0
Amortization	-139	-127	-114	-107
Existing debt	-139	-127	-114	-107
Capital account balance	-258	-271	1,310	743
Errors and omissions	-1	100	-90	223
Overall Balance	-436	-364	471	-80
Financing	436	364	-471	80
Gross reserves (increase, -)	6	-138	-367	-225
Central bank	15	-121	-246	-225
Commercial banks	-9	-17	-121	0
Net use of Fund resources	-4	7	-2	-1
Purchases/loans	0	45	0	0
Repurchases/repayments	-4	-38	-2	-1
Short-term liabilities (reduction, -)	7	19	23	0
Central bank	0	0	0	0
Commercial banks	7	19	23	0
Arrears (reduction, -)	427	476	-125	306
Multilateral creditors 3/	...	...	-475	8
Paris Club creditors 4/	...	...	102	48
London Club 5/	...	...	135	145
Other creditors 6/	...	...	113	105
Total financing gap 7/	...	...	...	...

Sources: Data provided by the Bosnian authorities; and Fund staff estimates.

Table 28. Bosnia and Herzegovina: External Debt at end-1997 1/ 2/  
(In millions of US dollars)

	Arrears	Total Debt
Total debt outstanding	2,388	4,076
Multilateral	39	1,057
IMF	0	42
World Bank	0	971
Other	39	45
Bilateral	863	1,046
Paris Club	711	895
Other bilateral	152	152
London Club	741	1,121
Other creditors 3/	490	594
Non-convertible currency debt	255	257

Source: Data provided by Bosnian authorities; and Fund staff estimates.

1/ Excludes an estimated US\$54 of payments arrears at end-1997 for gas supplied from the Russian Federation, which is in dispute. Also excludes about US\$200 million of claims on banks in Bosnia and Herzegovina for guarantees provided for construction work not completed, which is in dispute. Includes non-allocated debt of the former SFRY, allocated on the basis of the "IMF key" of 13.2 percent of the nonallocated debt; the authorities have not yet agreed to the allocation. Includes public and publicly guaranteed debt only.

2/ The authorities reported that BiH had claims amounting to about US\$1.2 billion at end-1991 on other countries (excluding states of the former SFRY), mainly in the Middle East and North Africa, as well as a potential claim on the foreign exchange reserves of the former SFRY.

3/ Mainly commercial creditors (i.e., suppliers and trade creditors).





