

**Debt Management Facility
Stakeholders Forum
Brussels, April 3-4 2014**

Recent changes in the debt
sustainability framework and non-
concessional borrowing
Case of Bosnia and Herzegovina

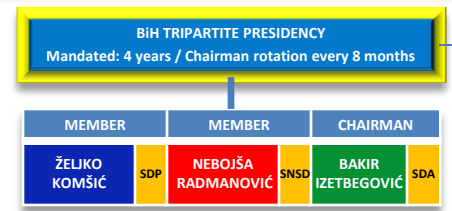
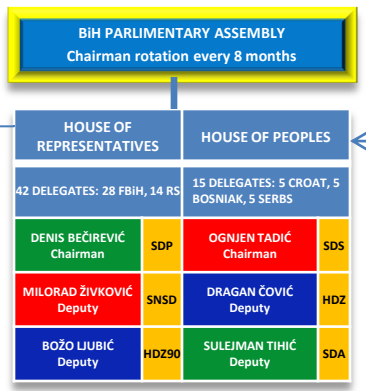
Structure of presentation

- Introduction/Outline
- Fiscal architecture of BiH
- Debt situation and structure
- Life under the IMF SBA
- Challenges
- Concluding remarks

Outline

- Fiscal coordination between different levels of government in debt management is the key challenge
- BiH is decentralized, with national government **not** borrowing directly to finance its (limited) activities
- Failed attempt to centralize debt management left mismatch between de iure and defacto debt management
- More flexible approach in DSF is welcomed: DSA should go beyond the central government and focus on SNG

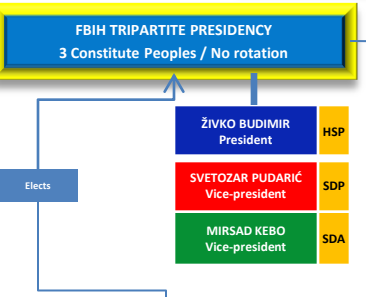
BOSNIA AND HERZEGOVINA - POLITICAL STRUCTURE



BOSNIAK	SERB	CROAT	OTHER
FBiH BASED PARTIES		RS BASED PARTIES	
SDP	SOCIAL-DEMOCRATIC PARTY BIH (Zlatko Lagumđžija)	SNSD	ALLIANCE OF INDEPENDENT SOCIAL-DEMOCRATS (Milorad Dodik)
SDA	PARTY OF DEMOCRATIC ACTION (Sulejman Tihić)	SDS	SERBIAN DEMOCRATIC PARTY (Mladen Bošić)
HSP	CROATIAN PARTY OF RIGHTS (Zvonko Jurišić)	SP	SOCIALISTIC PARTY (Petar Đokić)
NSRB	PEOPLE'S PARTY (Mladen Ivanković Lijanović)	DNS	PEOPLE'S DEMOCRATIC ALLIANCE (Marko Pavić)
HDZ90	CROAT. DEMOCRATIC UNION '90 (Božo Ljubić)	NDS	PEOPLE'S DEMOCRATIC PARTY (Krsto Jandrić)
HDZ	CROATIAN DEMOCRATIC UNION (Dragan Čović)		
SBB	ALLIANCE FOR BETTER FUTURE (Fahrudin Radončić)		
LDS	LIBERAL DEMOCRATIC PARTY (Amir Husarić)		
BPS	BiH Patriotic Party (Sefer Halilović)		



MINISTRY	FOREIGN AFFAIRS (DEPUTY)		FINANCE & TREASURY (DEPUTY)		CIVIL AFFAIRS		HRs & REFUGEES		COMMUNICATION & TRANSPORTATION		FOREIGN TRADE & ECONOMIC RELATIONS		SECURITY		DEFENCE		JUSTICE	
MINISTER	ZLATKO LAGUMĐIJA SDP	NIKOLA SPIRIĆ SNSD	SREDOJE NOVIC SNSD	DAMIR LJUBIĆ HDZ90	DAMIR HADŽIĆ SDP	MIRKO ŠAROVIĆ SDS	SADIK AHMETOVIĆ SDA	MUHAMED IBRAHIMOVIĆ SDA	BARİŠA ČOLAK HDZ									
DEPUTY	ANA TRIŠIĆ-BABIĆ SNSD	FUAD KASUMOVIĆ SDA	DENISA SARALIĆ-MAGLIĆ SDP	RADMILA MITROVIĆ SDS	RUDO VIDOVIĆ HDZ	ERMINA SALKIĆEVIĆ-DIZDAREVIĆ SDP	MLADEN ČAVAR SDP	MIRKO OKOLIĆ SDS	SRĐAN RADULIĆ DNS									
								MARTINA PENDEŠ HDZ										

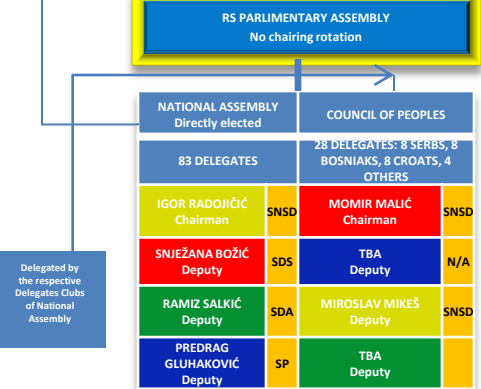
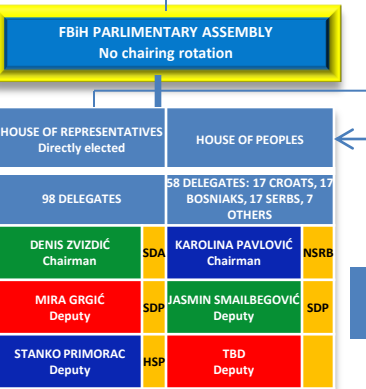
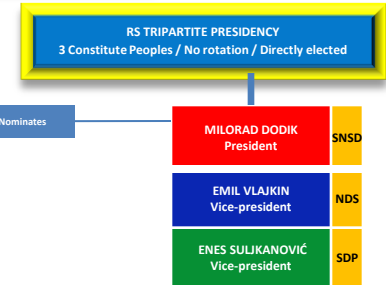


FBiH GOVERNMENT
(Constitutional requirement - 8 Bosniak-ministers, 5 Croat-ministers & 3 Serb-ministers)

PRIME MINISTER	NERMIN NIKŠIĆ SDP
MINISTRY OF INTERIOR	PREDRAG KURTEŠ SDP
MINISTRY OF JUSTICE	ZORAN MIKULIĆ SDP
MINISTRY OF FINANCE	ANTE KRAJINA HSP
MINISTRY OF ENERGY, MINING & INDUSTRY	ERDAL TRHULJ SDA
MINISTRY OF TRANSPORT & COMMUNICATIONS	ENVER BUEDIĆ SDP
MINISTRY OF LABOR & SOCIAL POLICY	VJEKOSLAV ČAMBER HSP
MINISTRY OF DISPLACED PERSONS & REFUGEES	ADIL OSMANOVIĆ SDA
MINISTRY OF ISSUES OF VETERANS	ZUKAN HELEZ SDP
MINISTRY OF HEALTH	RUSMIR MESHOVIĆ SDP
MINISTRY OF EDUCATION AND SCIENCE	DAMIR MAŠIĆ SDP
MINISTRY OF CULTURE AND SPORTS	SALMIR KAPLAN SDA
MINISTRY OF TRADE	MILORAD BAHILI NSRB
MINISTRY OF SPATIAL PLANNING	DEŠNICA RADOVIJEVIĆ (DPM) SDA
MINISTRY OF AGRICULTURE, WATER MANAGEMENT AND FORESTRY	JERKO IVANKOVIĆ LJUNOVIĆ (DPM) NSRB
MINISTRY OF DEVELOPMENT, ENTREPRENEURSHIP & CRAFTS	SANJIN HALIMOVIĆ SDA
MINISTRY OF TOURISM AND ENVIRONMENT	BRANKA ĐURIĆ SDP

RS GOVERNMENT
(Constitutional requirement - 8 Serb-ministers, 5 Bosniak-ministers & 3 Croat-ministers)

PRIME MINISTER	ALEKSANDAR DŽOMBIĆ SNSD
MINISTRY OF INTERIOR	STANISLAV ČADO SNSD
MINISTRY OF JUSTICE	TBA (DPM) SNSD
MINISTRY OF FINANCE	ZORAN TEGELTJIA SNSD
MINISTRY OF ENERGY, MINING & INDUSTRY	ŽELJKO KOVAČEVIĆ SNSD
MINISTRY OF TRANSPORT & COMMUNICATIONS	NEDELJKO ČUBRILOVIĆ DNS
MINISTRY OF LABOR & VETERANS-DISABLED PROTECTION	PETAR ĐOKIĆ SP
MINISTRY OF REFUGEES & DISPLACED PERSONS	DAVOR ČORDAŠ HDZ
MINISTRY OF ADMINISTRATION & LOCAL SELF-GOVERNANCE	LEJLA REŠIĆ DNS
MINISTRY OF HEALTH & SOCIAL PROTECTION	RANKO ŠKRBIĆ SNSD
MINISTRY OF EDUCATION AND CULTURE	ANTON KASIPOVIĆ (DPM) SNSD
MINISTRY OF SCIENCE & TECHNOLOGY	JASMIN KOMIĆ N/A
MINISTRY OF ECONOMIC RELATIONS & REG. COOPERATION	ŽELJKA CVIJANOVIĆ SNSD
MINISTRY OF SPATIAL PLANNING, ENGINEERING & ECOLOGY	SREBRENKA GOLJIĆ SNSD
MINISTRY OF AGRICULTURE, WATER MANAGEMENT AND FORESTRY	MIROSLAV MILOVANOVIĆ SNSD
MINISTRY OF FAMILIES, YOUT & SPORTS	GORANA ZLATKOVIĆ SP
MINISTRY OF TRADE AND TOURISM	NADA TEŠANOVIĆ SNSD

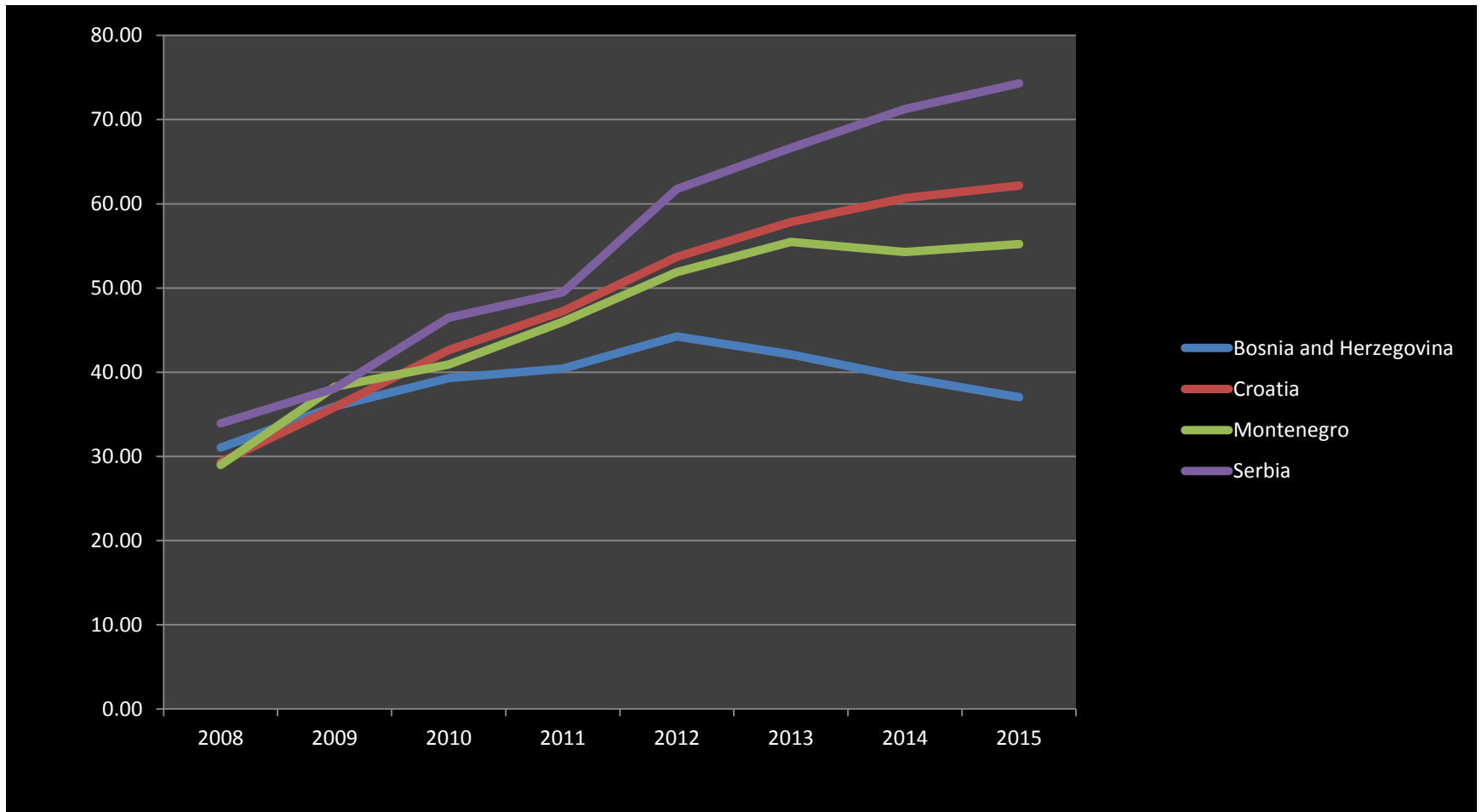


Fiscal Architecture

- Indirect taxes: shared between national and subnational level
- Direct taxes: subnational governments
- Borrowing control: SNG
- Fiscal rules: SNG
- Debt management: strategy still not there
- Country specificity: not only interest rate growth differential matters but revenue allocation/sharing mechanism

The crisis has contributed to the increase in debt to gdp, but (even realistic) projections are promising:

General government debt: comparison with the neighbors (source IMF, WEO, Oct.2013, estimates after 2012)



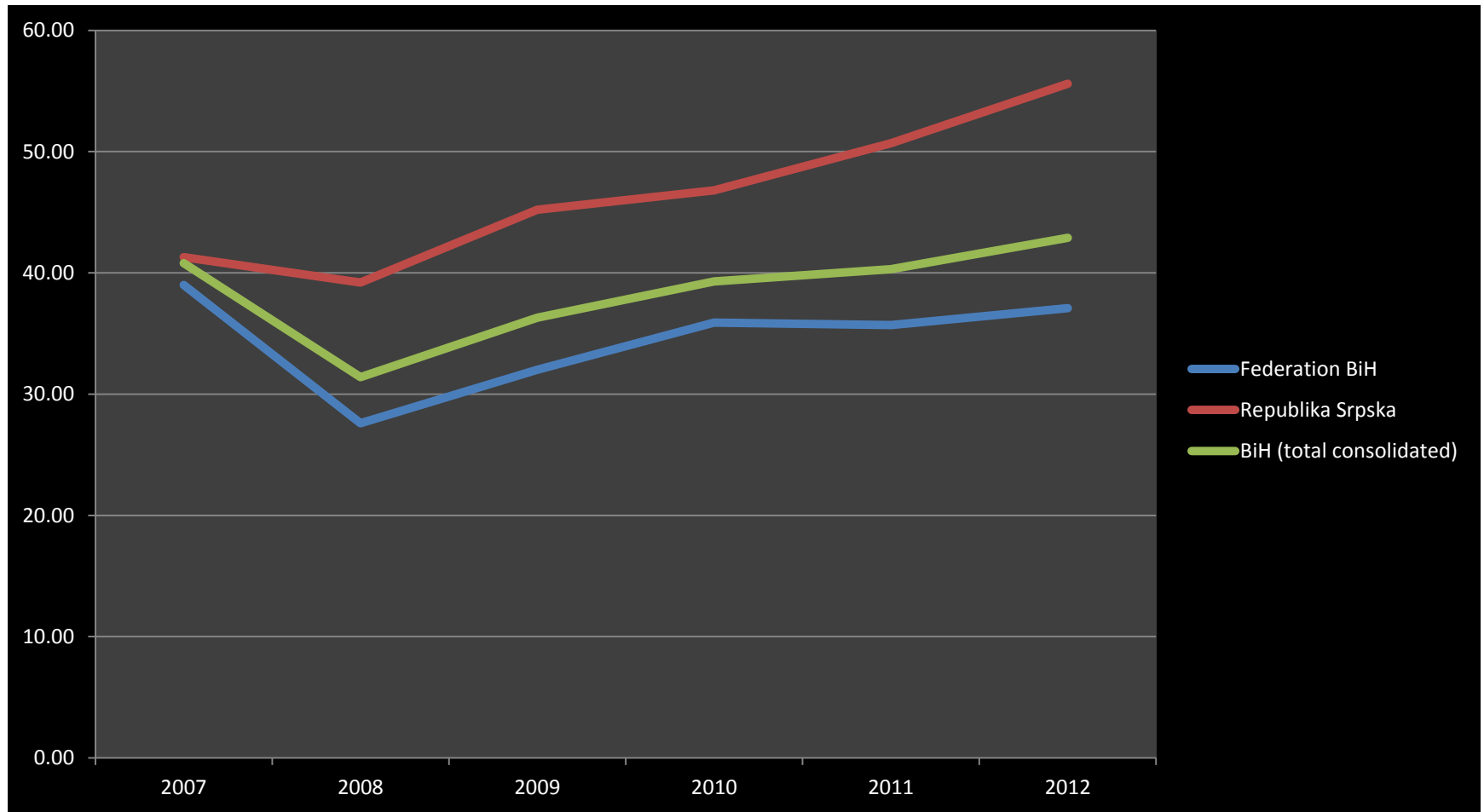
Lowest rating in comparison to neighboring countries is not due to the debt situation but other (mostly political) factors

Credit rating agency rankings

Country	Moody's	S&P
Bosnia and Herzegovina	B3/stable	B/stable
Croatia	Ba1/negative	BB/stable
Montenegro	Ba3/stable	BB-/negative
Serbia	B1/stable	BB-/negative
Source: CBBH, data as of March 24 2014		

From a national macroeconomic perspective, DSA may not trigger a concern but debt burden may be different across subnational governments

Debt as share of entity BDP (source: Directorate for Economic Planning, 2013)



Life under the SBA

- Cooperation with the IMF 2009-2011, 2012-2015
- Several big and small structural improvements
- Fairly reasonable fiscal position (primary surpluses)
- Limited short term non-concessional financing-not relevant since sufficient financing provided

Immediate Challenges

- Studying DeMPA findings (ongoing)
- 2014 election year
- Towards the broad recognition of the need for the public debt management strategy
- IDA graduation
- Likely changes in the debt structure (higher interest rate, shorter maturity)

Conclusion

- „Implicit“ debt management strategy, namely cooperation with IFIs as well as not accessing international markets rendered non-concessional borrowing not an issue for the time being but changes in the debt composition are inevitable and pose a challenge
- More flexible approach in DSF allows for deeper analyses of country specific risks and is welcomed: DSA should go beyond the central government and focus on SNG
- At least in theory, maximum sustainable debt could be different across the SNGs