



**BOSNIA I HERZEGOVINA
FEDERATION OF BOSNIA AND HERZEGOVINA
SARAJEVO CANTON**

P R O S P E C T U S

Public offer for the fourth emission of bonds of the Sarajevo Canton

Emission Agent: SEE Investment Solutions d.o.o. Sarajevo

**SEE | INVESTMENT
SOLUTIONS**

Sarajevo, August 2017.

The Ministry of finance of the Sarajevo Canton (hereinafter: the Ministry), which is authorized for the emission of bonds of the Sarajevo Canton (hereinafter: the Canton), accepts the responsibility for the contents of this Prospectus. In our belief and in keeping with all knowledge and data, that are available to us, we declare that all information in this Prospectus represent a full and fair view of the financial position, assets and liabilities, profits and losses of the Canton, as well as the rights and obligations contained in the bonds, and that the facts that might influence the completeness and truthfulness of this prospectus are not suppressed. The Prospectus does not conceal any information of material importance and contains no data or information that may mislead any potential investors. Accordingly, the issuer accepts responsibility for the information contained in this Prospectus.

The issuer gets into debt by issuing bonds in the total amount of 13.075.000,00 BAM for a time period of (5) five years.

In accordance with the Law on Securities Market ("Official Gazette of FBiH", No. 85/08, 109/12, 86/15 and 25/17), the Prospectus was approved by the Securities Commission of the Federation of Bosnia and Herzegovina (hereinafter: the Commission) at its meeting held on 05.09.2017., Approval no. 03/1-19-304/17. By approving this Prospectus, the Commission confirmed that the Prospectus contains all the data defined by the Law on Securities Market and that it may be published. The bonds will be listed on the quotation of bonds at the Sarajevo Stock Exchange (hereinafter: SASE).

No one is authorized to give information and statements in related to the offer and sale of bonds which are not contained in this Prospectus. If such information or statements appear, they should not be regarded as information and statements whose publication was approved by the Ministry. The publication of this Prospectus nor the sale or purchase of bonds do not imply that the circumstances regarding to the Canton have not changed since the date of issue of this Prospectus. This Prospectus should not be considered as a recommendation to buy or sell bonds by or on behalf of the Canton or the emission agent, or on behalf of other persons, who are related to them, in any country where the making of such offer or invitation by such persons, is treated as illegal.

Each investor who is considering the purchase of bonds, refers to his own evaluation and assessment of the financial position of the Canton and conditions of the bonds, including inherent risks as described in Chapter 4. Investment risks and risk cause. All annual data, including information on the financial statements, are based on calendar years, unless otherwise stated. In this Prospectus, reference to the „BAM“ means the bosnian convertible mark, the official currency in the Federation of Bosnia and Herzegovina (hereinafter: FBiH) and Bosnia and Herzegovina (hereinafter: BiH), the reference to "EUR" means the Euro currency, while the reference to "USD"means the U.S. Dollar currency.

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INVESTING IN BONDS

A bond is a debt security that is issued in order to collect funds with pre-defined maturity.

The main advantage of investing in bonds¹, in general, is the comparative safety of investments, which is primarily reflected in a valid promise that the interest rate (yield) and principal will be paid on time. Treasury bonds are considered to be the safest, due to the fact that their maturity is paid made directly from state governments. Another advantage of treasury bonds is a wide range of due dates which allows investors to structure their portfolios from which they can achieve financial goals in very specific time periods. This enables the possibility to plan and relocate the return on equity.

Market for treasury bonds and bonds from subjects of lower levels exist and function as a separate markets and serve as an independent source of funding for state governments as well as for those at lower (local) levels. Some functions in society and economy are not the direct responsibility of the central government, so the governments wish, by issuing of bonds, to develop and strengthen them.

Cantons and other lower levels of government in the Federation can get onto debt in the form of loans and emissions of securities, respecting the purpose, conditions and scope of duties as prescribed by the Law on Debt, Borrowing and Guarantees in the Federation.

International experience shows that the differences in terms of return on bonds between higher and lower levels of government are mainly affected by basic fiscal indicators. Among these indicators, the most significant is the GDP (gross domestic product).

In the period from 2011 to 2016, the share of debt in GDP, on an annual basis in the Federation, was an average of 21%. The deficit in the Federation is not a significant problem, since its share in the GDP per annum is below 1%.

Table 1. Basic fiscal indicators in th Federation of BiH, 2011.-2016.

	FBiH	2011	2012	2013	2014	2015	2016
1	GDP (mil BAM)	16.489	16.554	16.914	17.813	18.677	19.176
2	Total debt (mil KM)	3.703	3.645	3.448	3.688	3.854	3.864
3	External debt (mil KM)	2.884	2.775	2.652	2.800	2.826	2.819
4	Deficit (mil KM)			65,16	173,30	83,10	n.a.
5	debt/GDP	22,45	22,02	20,39	20,71	20,63	20,15
6	deficit/GDP	n.a.	n.a.	0,004	0,010	0,004	n.a.
7	Annual amount of debt through bonds (mil BAM)	-	130,00	40,00	140,00	310,00	140,00

Source: Federal ministry of finance

¹ Serdarević, N. : "Neki specifični aspekti emisije obveznica nižih nivoa vlasti - međunarodna iskustva", Univerzitet u Zenici, 2017.

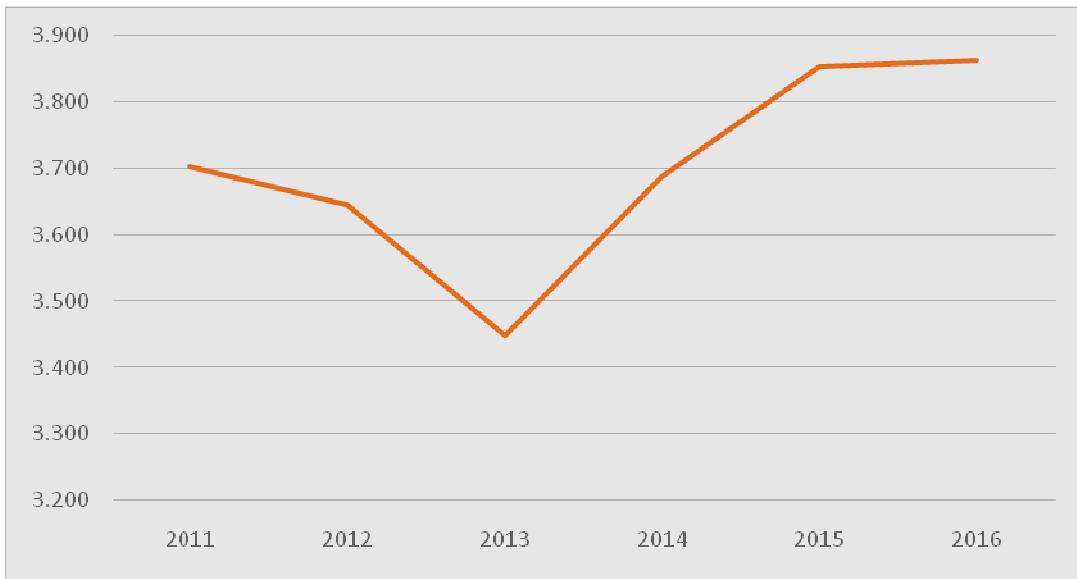


Chart 1 – Total debt in FBiH, 2011.-2016. (mil BAM)

In the Sarajevo Canton, the average share of debt in relation to GDP is around 2.6% per annum.

Neither the Federation of BiH nor the Sarajevo Canton are not excessively indebted. In the Federation, the debt/GDP ratio is around 21%, while the same ratio in the Sarajevo Canton is significantly lower, around 2,6%. The Sarajevo Canton is, when comparing to the GDP, little indebted, and managing the accumulated deficit does not threaten the solvency of the budget.

The default risk arising from the bond issue does not exist in the FBiH nor in the Sarajevo Canton, because the Law on the execution of the budget treat the issue of payment of the debt by giving them priority over all other payments from the budget.

1. ISSUER INFORMATION

1.1. Basic information

Name: Sarajevo Canton

Address: Reisa Džemaludina Čauševića 1, 71 000 Sarajevo, BiH
Tel: +387 33 562 068
Fax: +387 33 562 211
email: premijer@vlada.ks.gov.ba
web: www.vlada.ks.gov.ba

The activities related to the bond emission shall be performed by the Ministry of Finance of the Canton.²

ID number: 4200666010004

The constitutional arrangement of the Sarajevo Canton³

The Sarajevo Canton is one of the ten cantons of the Federation of BiH with its headquarters in Sarajevo. The arrangement and the status of the Canton, its competences and structure, were defined by the Constitution of the Canton, which was adopted by the Parliament of the Canton at the meeting held on March 11th 1996.

The Sarajevo Canton territory includes the municipalities of Sarajevo Centar, Hadžići, Ilidža, Ilijaš, Novi Grad, Novo Sarajevo, Stari Grad, Trnovo and Vogošća. The Canton's authority is defined by the Constitution of the Federation of BiH and the Constitution of the Sarajevo Canton. The Canton has legislative, executive and judicial powers. The legislative power is exercised by the Cantonal Assembly, the executive power by the Government of the Canton, while the judicial powers in the Sarajevo Canton are carried out by Cantonal Court.

The Canton has all the responsibilities, not expressly granted to the federal government, as set forth in the Constitution of the FBiH.

Exclusive jurisdiction of the Sarajevo Canton are:

- Establishing and control of police forces;
- Defining of education policies, including decisions concerning the regulation of education;
- Establishing and control of cultural policies;
- Defining of housing policies, including regulations related to maintenance and construction of residential buildings;
- Regulation of public services;

² Decision on indebtedness of Canton Sarajevo by issuing bonds of the Canton (Gazette of Sarajevo Canton 33/17)

³ <http://vlada.ks.gov.ba/ustrojstvo>

- Adoption of regulations on the use of local land, including zoning;
- Adoption of regulations on the improvement of the local business and charitable activities;
- Adoption of regulations on local energy production facilities and ensuring of their availability;
- Making policies concerning radio and television, including the adoption of regulations and ensuring their operational function
- Implementation of social policies and the establishment of social welfare services;
- Creation and implementation of tourism policy and development of tourism resources;
- Creating conditions for optimal development of the economy which is correspondant to urban environment;
- Funding activities of cantonal authorities or cantonal agency by taxation, borrowing or other means.

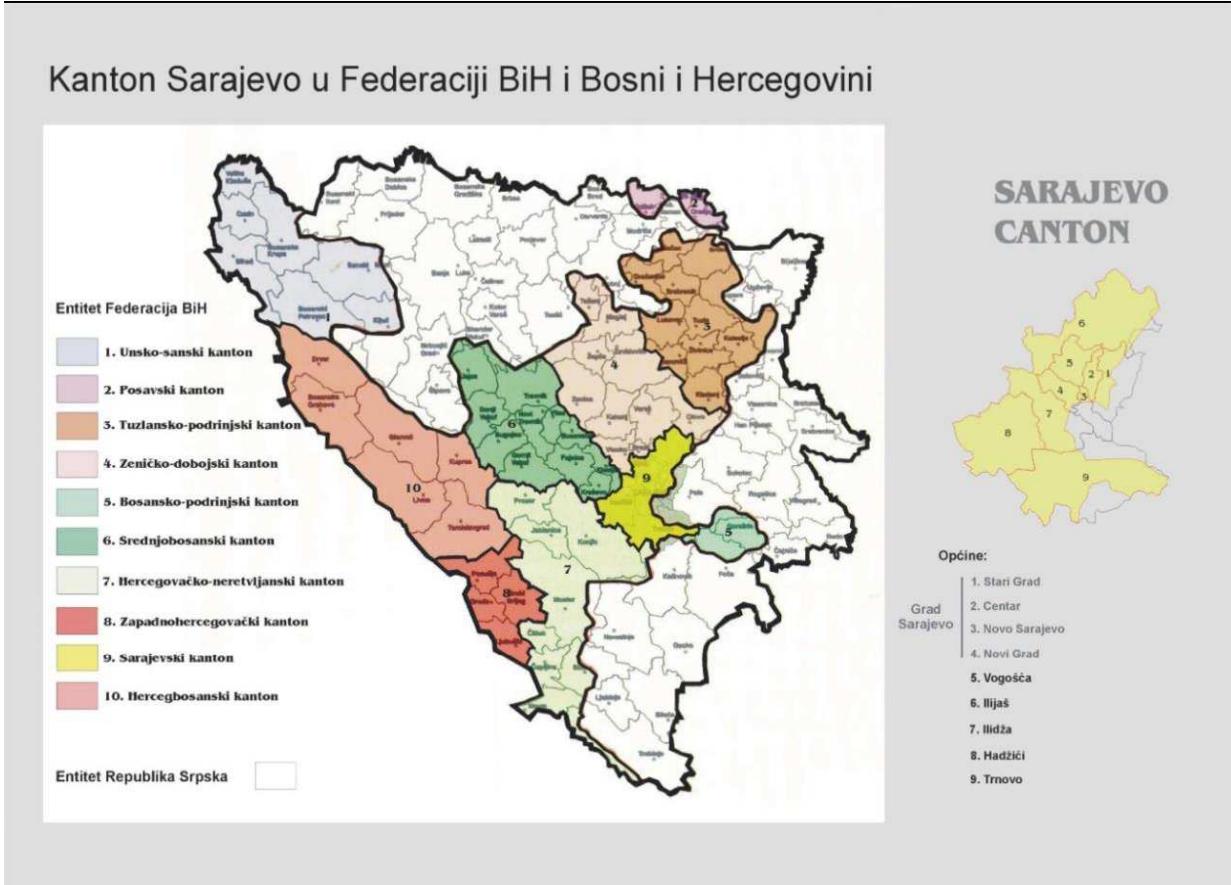
Shared competence with the Federation of Bosnia and Herzegovina

The Canton, together with the Federation of Bosnia and Herzegovina, alone or in coordination with the federal authorities, carries out the following competencies:

- Guaranteeing and enforcing of human rights;
- Health care;
- Environmental protection;
- Communications and transportation infrastructure in accordance with the Federation Constitution;
- Social politics;
- Implementation of laws and other regulations on citizenship and travel documents of bosnian citizens from the territory of the FBiH and the stay and movement of foreigners;
- Tourism;
- Use of natural goods.

The area of the Sarajevo Canton occupies a central position in Bosnia and Herzegovina. This is a place where East and West meet, North and South, where the layers of history and diversity of different cultures and their spiritual and material sediment permeate. Sarajevo is an administrative-political, economic, financial, educational and scientific research city, the center of cultural life of the country, the health center, the Olympic city.

Sarajevo Canton became a member of the Assembly of European Regions (AER) in 2005, and was declared the European Region in 2006, making it one of the European metropolises and promoting it as a place of pleasant living and profitable business.



Picture 1: Sarajevo Canton

2. INFORMATION ABOUT THE SECURITIES THAT ARE BEING ISSUED

2.1. Type of securities

The Sarajevo Canton issues bonds, long-term debt securities, which the ensure the rightful owner the right to charge a nominal value of principal and interest in accordance with the Decision on bond emission.

These bonds are issued with an interest rate that will be determined after the completion of the auction for the sale of bonds on SASE. The bonds are due within 5 (five) years, provided that the payment of interest is done every six months, from the date of settlement and payment of principal is being charged on the due date.

2.2. The body that issued the Approval for the emission of bonds

The Sarajevo Canton Government adopted a decision on the indebtedness of the Sarajevo Canton by emission of bonds of the Canton (Official Gazette of Sarajevo Canton No. 33/17) at the 92nd meeting held on August 17th 2017.

2.3. Legal status of the bonds

The bonds are issued in non-material form, in electronic form, in series, are registered to a name, are freely transferable and unsecured.

The bonds are unsecured, direct and unconditional obligations of the Issuer, which are mutually equal and the same rank with all other present and future unsecured obligations of the Issuer.

The obligations of the Issuer, the payment of interest and principal will be made from regular income of the Canton.

2.4. Rights included in the bonds

The bonds of this emission are to be treated as freely transferable debt securities that represent direct and unconditional obligation of the Issuer.

The owner of the bonds is entitled to payment of the nominal value of the principal and accrued interest.

In the first and in all subsequent years until reach of the maturity date, the owner of the bonds is entitled to the interest, calculated on the total amount of principal, which will be paid in accordance with paragraph 2.11. of this Prospectus.

The owner of bonds don't have the right to seek early maturity.

The rights and obligations arising from bonds are acquired, transferred and restricted at the accounts of bond holders at the Registry of Securities in the Federation of BiH (hereinafter: the Registry).

Bonds issued by the Sarajevo Canton do not contain early purchase rights.

The Canton may, at any time, without the consent of the owners of bonds, issue other securities.

2.5. Total value of the emission of bonds

A total number of 13.075 (thirteenthousandseventyfive) bonds, with a nominal value of 1.000,00 BAM, will be issued.

The total nominal value of the emission is 13.075.000,00 (thirteenmillionseventyfivethousand) BAM.

2.6. Total value of past emissions

The Sarajevo Canton issued 6,400 (sixthousandfourhundred) bonds with a maturity of three (3) years and 4,356 (fouthousandthreehundredfiftysix) bonds with a maturity of three (3) years so far.

2.7. Yield on bonds

The bonds will carry a yield at an interest rate that will be determined after the completion of the auction on SASE.

2.8. Price of bonds in the auction

The emission will be done through a public offer during an auction on SASE, using the method of multiple prices.

The bonds emission on the primary market will be done on the auction platform trading system of SASE (hereinafter: BTS) lasting from 9:00 to 13:00 unless otherwise indicated.

Offers to buy bonds shall be entered into the BTS as buying orders in the period 9:00 to 10:00, while the offer for sale of bonds shall be entered as a sales order into the BTS in the period 10:00 to 13:00.

Bond prices are determined on the basis of the following formula:

$$\text{PRICE} = \left[\frac{\text{isplata}}{\left(1 + \frac{\text{prinos}}{\text{utestalost}}\right)^{(N-1+\frac{\text{DSC}}{E})}} \right] + \left[\sum_{k=1}^N \frac{100 \times \frac{\text{stopa}}{\text{uteskalost}}}{\left(1 + \frac{\text{prinos}}{\text{uteskalost}}\right)^{(k-1+\frac{\text{DSC}}{E})}} \right] - \left(100 \times \frac{\text{stopa}}{\text{uteskalost}} \times \frac{A}{E} \right)$$

DSC = number of days from the settlement date until the next coupon date,

E = number of days in the coupon period in which includes the settlement date,

N = number of coupons which will be payed between the settlement date and the date of payment,

A = number of days from the beginning of the coupon period to the settlement date.

The bond price shall be determined in accordance with supply and demand at the auction.

2.9. Purchase and payment methods

During public emissions through SASE, the registration of securities is done by brokers by placing buying orders for securities and a finalized registration is considered to be entering orders into the stock exchange trading system, if the system accepts such an order.

When the emission is over, SASE shall deliver a list of completed trades to all brokers which participated in the auction and to their depository banks.

Offers to buy bonds shall be entered into the BTS as buying orders on the day of the auction, September 26th 2017 from 09:00 to 10:00.

The Ministry holds the right to accept the offer in whole, partly or to reject all bids for the purchase.

In the case that the number of the bonds on the demanding side exceeds the number of offered bonds, the buyers shall be ranked based on the yield indicated in the buying order, starting from the lowest to the highest and in cases when buying orders have the same yield the orders shall be ranked based on the time when the order was entered into the BTS, so that early entered orders have priority.

The depository bank of the professional agent, which conducted the purchase order, shall make the payments and deliver the list of buyers and their purchased amount of bonds, to the issuers depository bank, the next day after the auction until 12:00.

2.10. Emission success

The emission will be considered successful if the demand exceeds 60% of the offered bonds. The Commission shall make decision on the emission success.

2.11. Payment of interest and principal

Payment of interest will be done every six months, starting from the date of settlement and payment of the principal will be done on the maturity date.

The payment of interest and principal will be done on the due date. In case of delay with the payment of interest and principal, the issuer is obliged to pay penalty interest for the period of delay.

Maturity date for payment of principal and interest: 5 (five) years from the date of registration of bonds in the Registry of Issuers within the Securities commission in FBiH, which can not be longer than 15 (fifteen) days from the maturity date used to calculate the price. If the day of payment of interest and principal is a non-working day, the payment will be made on the first following working day. Working days are days that are recognized as working days of the Securities Registry in the Federation of Bosnia and Herzegovina and the commercial banks which will perform payment transactions in the Federation of Bosnia and Herzegovina.

2.12. Early purchase of bonds

Ministry may make public call for early purchase of bonds of the Canton, as defined by the Decision on the conditions and procedures of the bonds emission of the Sarajevo Canton (Official Gazette of Sarajevo Canton, No. 22/16).

2.13. The aim of fundraising

By enforcement of the Law on Execution of Budget of Sarajevo Canton for 2017, a total amount of 40,48 million BAM of indebtedness was planned.

The decision for emission of bonds, as a way of indebtedness, necessary fundraising, was a result after many analyses carried out in the Ministry of Finance, because of the possibility for achieving of lower interest rates by indebtedness through the stock exchange compared to a long-term credit debt.

In order to respect the legal restrictions under Article 7 of the Law on Debt, Borrowing and Guarantees in the Federation, which refers to the limit of indebtedness of 10% and a minimum liquidity risk, the Ministry has opted for the method of a one-time payment of principal which shall be done on the maturity date.

The purpose of collection of funds during this emission shall be the financing of some capital projects in the amount of 13,075 million BAM.

Capital projects to be financed with these funds are set out in Article 6 of the Sarajevo Canton Budget for 2017, as follows:

Table 2: Capital project to be financed through emission of bonds

MINISTRY	PROJECT	AMOUNT
FEDERAL MINISTRY OF THE WAR VETERANS AFFAIRS	- Purchase of apartments for the war veterans population - Purchase of land for the expansion of the Monumental Complex "Tunel spasa"- Phase I (Memorial Fund)	1.000.000,00 BAM 250.000,00 BAM
MINISTRY OF TRANSPORT	-Construction and resolving property issues on the primary city roads	7.145.000,00 BAM
MINISTRY OF INTERNAL AFFAIRS - POLICE DIRECTORATE	Purchase of motor vehicles - Police Directorate	3.000.000,00 BAM
MINISTRY OF SPORTS AND CULTURE	-Construction of the sports hall Bjelašnica-Trnovo -Reconstruction of the ski jump in Malo Polje on Igman	200.000,00 BAM 100.000,00 BAM
MINISTRY OF WORK, SOCIAL POLICY, DISPLACED PERSONS AND REFUGEES	Construction of a Family Counseling Center	1.080.000,00 BAM
MINISTRY OF COMMUNAL ECONOMY AND INFRASTRUCTURE	-Co-financing the project of marketplace overcrowding in the Sarajevo Canton -Procurement of machinery and equipment for discharging of waste containers	200.000,00 BAM 100.000,00 BAM
TOTAL		13.075.000,00 BAM

The funds required for payments related to issued bonds as they come due, will be made from budgets of future years.

2.14. Emission registration at the Registry of securities in FBiH

The settlement of transactions shall be done by Registry no later than 12:00 on the next working day after the date of the auction, unless stated otherwise in the public call.

After the settlement and the decision on the success of the emission by the Commission, the Registry shall register the bonds in accordance with the contract with the Ministry and shall inform SASE and the Ministry about it.

2.15. Pricing of bonds in the secondary market

The bonds will be listed on the secondary bond quotation on SASE. Bond prices are based on the so-called "pure price", which means it does not include accrued interest.

Payment after the completed purchase of bonds on the Stock Exchange will be done according to the price at which it was traded plus the accrued interest for the period since the last interest payment until the day of settling the transaction on the Stock Exchange (T+2), not including the day of settlement.

2.16. The method of payment of principal and interest

Clearing and settlement in the secondary bond market will be done by the Registry. The payments and transfer of securities, for all operations concluded on the Stock Exchange on a certain day (T), are two (2) business days after the conclusion of the transaction (T+2).

3. INFORMATION ABOUT EMISSION AGENT, DEPOSITORY BANK AND PAYMENT AGENT

3.1. Emission agent

Emission agent:	SEE Investment Solutions d.o.o. Sarajevo
Adress:	Obala Kulina bana 25, 71 000 Sarajevo
Phone:	+387 33 275 650
Fax:	+387 33 275 651
E-mail:	info@seeinvestments.ba
Web:	www.seeinvesments.ba

3.2. Depository bank

Depository bank:	UniCredit bank d.d. Mostar
Adress:	Kardinala Stepinca bb, 88000 Mostar
Phone:	+387 33 491 777
E- mail:	custody@unicreditgroup.ba
Web:	www.unicredit.ba

3.3. Payment agent

Payment agent: **Registar vrijednosnih papira u FBiH**
Adress: Maršala Tita 62/II, Sarajevo
Phone: +387 33 279 150
E-mail: info@rvp.ba
Web: www.rvp.ba

4. INVESTMENT RISK AND RISK CAUSE

4.1. Basic information about risk

Investment risk is the degree of uncertainty of investment returns. The investor takes certain kinds of risk consciously, in accordance with their own preferences of the risk and return on investment. Here are some risk factors for investing in municipal bonds of Sarajevo Canton and the investors certainly should make their own assessment of the financial position of the canton, emission conditions, and information that could affect the success of emission and the return on investment.

4.2. System risk

The system risk associated with general conditions in the capital market and as such it can not be diversified. The system risk is determined by: economic growth, the macroeconomic situation in the country, political events, employment, price level. Thus, the system risk of a country includes all the risks associated with possible political instability, which reflects on the integrity and existence of the country itself.

Credit rating of Bosnia and Herzegovina is at the level of the B3 with stable outlook (Moody's), or level B with a stable outlook (Standard & Poors').

As a result of its analysis on September 9th 2016 the agency for credit rating Standard & Poor's confirmed Bosnia and Herzegovina's sovereign credit rating of "B with a stable outlook", while in February 2016, Moody's Investors Service confirmed Bosnia and Herzegovina's sovereign credit rating " B3 with stable outlook "⁴. Bonds of the Sarajevo Canton have the same system risk like all other bonds issued in BiH.

4.3. Financial risk

4.3.1. Credit risk

The price of this emission could be affected by changes in credit ratings of Bosnia and Herzegovina. The change will largely depend on the macroeconomic developments in the domestic economy, and in case of budget deficits in the balance of current transactions it could lead to a revision of the existing investment credit rating of Bosnia

⁴ Source: The Central bank of BiH, www.cbbh.ba

and Herzegovina and to its reduction, which would result in a decrease of prices of debt securities. On the other hand, favorable macroeconomic factors could lead to a higher credit rating, which would result in increase of securities' price.

4.3.2. Interest rate risk

The interest rates of this release will be determined in the auction for the sale of bonds, depending on the buying offers. The Sarajevo Canton has no influence on the behavior of interest rates in the market, which means that rising of interest rates may cause a decline in bond prices, which may have a negative affect on the investors, while the decline of market interest rates may lead to higher bond prices which would have a positive affect on investors.

Bonds of the Sarajevo Canton have the same interest rate risk like all other bonds issued in BiH.

4.3.3. Currency risk

Currency risk is the risk that the value of financial instruments changes due to change of course. Convertible Mark (BAM) as the official currency in Bosnia is linked to the Euro. The Central Bank of Bosnia and Herzegovina maintains monetary stability in accordance with the "currency board" arrangement ($1 \text{ BAM} = 0.51129 \text{ EUR}$ and $1 \text{ EUR} = 1.95583 \text{ BAM}$) which means the issue of the local currency with full coverage in freely convertible foreign currency at a fixed rate ($1 \text{ BAM} = 0.51129 \text{ EUR}$ and $1 \text{ EUR} = 1.95583 \text{ BAM}$).

In order to maintain the real value, if there is a change of course of BAM compared to EUR, a currency clause will apply (BAM recalculation into EUR or EUR into BAM) at the average rate, based on the exchange rate list of the Central Bank on the course change date.

4.3.4. Operational risk

Operational risk (information systems, procedures, human factors, documentation) is determined by the daily business of the Sarajevo Canton, the Ministries it consists of, along with all supporting agencies, services, institutions, etc.

Financial audit of the budget of the Sarajevo Canton for 2015, compiled by the Office of Audit of institutions in the Federation, shows that the Canton Sarajevo made considerable progress and, fully or partially complied with the recommendations from previous reports, concerning the daily activities, in terms of procedures, deadlines and documents. This especially applies to consistent compliance with the Law on Budgets in FBiH and the Rulebook on Financial Reporting and annual FBiH Budget, which is used for the preparation and defining of the budget and budgetary reporting.

4.3.5. Political risk

Political risk of a country includes all the risks associated with possible political instability, including the integrity and consistency of the state itself. Considering current internal and foreign relations and policy of Bosnia and Herzegovina, it can be concluded that the main foreign policy goal of Bosnia and Herzegovina is a membership in the European Union, which is acknowledged by all the parliamentary political parties. In this regard, in February 2017, BiH has submitted an application for membership in the European Union, which was accepted on 20.09.2016. at the Meeting of the Council for General Affairs of the European Union.

Political risk also depends on the influence of the transition processes on a market economy. For countries that are in the process of transition the political risk is increased, which depends on the relation of the legislative, executive and judicial authorities, syndicates, but also depends on the relationship between the joint bodies of BiH institutions, Entity and Cantonal institutions. Political and general social risk is inherent to all sections of society and it can not be influenced by individuals.

Therefore, this component of risk is equal for all other bonds in the capital market in the Federation, including the Sarajevo Canton bonds.

4.3.6. Capital market

FBiH capital market is characterized by the dominant presence of equity securities (shares) which was a result of the privatization process. There were only 3 successful emissions of municipality bonds and one emmission of cantonal bonds. On the other hand, the Federal Government, through the Ministry of Finance, is continuously issuing bonds and treasury bills for budgetary needs, as well as bonds on the basis of verified accounts of old foreign currency savings and war claims. Due to the poor liquidity of the regular stock (shares) market, the federal bonds play a significant part in the total turnover on SASE.

There were two successful emmission of cantonal bonds so far. Through an auction on the Sarajevo Stock Exchange, the Sarajevo Canton issued 6,400 bonds with a maturity of three (3) years. The bonds, which maturity date is on 06.02.2020 were sold at an average interest rate of 2.85%.

In this way, the amount of 6.4 million KM for financing of capital projects of the Ministry of Justice and Administration, Ministry of Transport, Ministry of Economy, Ministry of Health and part of the budget deficit from previous years, planned in the Budget of Sarajevo Canton for 2017, were ensured.

By holding another auction via the Sarajevo Stock Exchange, the Sarajevo Canton issued 4,356 bonds with a maturity of three (3) years. Bonds, due on payment 29.06.2020., were sold at an average interest rate of 2.85%.

In this way, the amount of 4.356 million KM for financing of capital projects of the Ministry of Transport and the Ministry of Physical Planning, Construction and Environmental Protection planned in the Budget of Sarajevo Canton for 2017, were ensured.

Successful auctions of bonds prove the increase of investors' confidence as a result of a transparent and improved ways of managing public finances, stable and responsible financial operations of Canton, on the one hand, and favorable conditions of the emmission (repayment period of three years, with no grace period, foreign currency clause), on the other hand.

In addition to the emmission of bonds presented in this Prospect, another emmission of bonds of Sarajevo Canton is planned in October 2017. Its realization will enable financing of the remaining capital projects envisaged by the Budget for 2017, which are of importance for the overall socio-economic development of the Sarajevo Canton, as well as part of the budget deficit.

In general, the limiting factor for the public emmissions is the size of the market, while the benefits can be sought in the significant potential of domestic institutional investors, primarily banks and insurance companies.

Given that the nominal value of bonds is BAM 1.000,00, potential investors can be other economic entities, funds, and individuals who have significant financial resources in the form of savings and deposits in accounts with commercial banks⁵.

4.3.7. „Force majeure“

This term includes the events, which have a negative impact and can cause negative consequences and losses for issuers such as:

1. war, invasion, external enemy activity, terrorist activity, hostilities (regardless of whether war is declared or not), civil war,
2. the occurrence of epidemics that have affected citizens and workers of the Canton,
3. earthquakes, tornadoes, hurricanes, floods, fires, except for predictable and common climate and natural phenomena that could cause damage or destruction,
4. significant block of activities as a result of court orders, prohibitions or similar orders which are received by third parties, collective labor disputes, strikes or demonstrations.
5. collective labor disputes, strikes or demonstrations

⁵ According to the information from Central Bank of Bosnia and Herzegovina (CBBH) the total retail deposits in commercial banks in Bosnia and Herzegovina, at the end of September 2016, amounted to 10.25 billion BAM which is the highest amount of deposits so far. The total retail deposits with commercial banks in BiH have by far the largest share of 59.6%. (<http://cbbh.ba/press>ShowNews/1122>)

According to these criteria, there are no indications that the Sarajevo Canton is at a greater level of risk of force majeure, that could endanger the bond issue, than it is the case with other issuers in the capital markets in FBiH.

5. INFORMATION ABOUT THE SARAJEVO CANTON⁶

5.1.1. Geography and population

The Sarajevo Canton is one of ten cantons in FBiH and it is located in the south-eastern part of Bosnia and Herzegovina. It covers an area of 1.276,90 square kilometers which is 4,9% of the total territory of FBiH. According to the population census of households and dwellings in BiH, which was conducted in 2013, the Sarajevo Canton has 413.593 inhabitants, or 18,64% of the total population of FBiH (2.219.220).⁷

Sarajevo is located in the Sarajevo-Zenica valley, which is located between the Pannonian Plain in the north and Mediterranean sea in the south. The geographic position of Sarajevo was determined by combined actions of nature elements and social factors. Several civilizations and peoples encountered in this area and they left specific mark.

The natural factor had dominant influence on this area to become the intersection of roads, with alternating changing importance of individual lines, depending on the current social events. Thus, Sarajevo is connected to Danube Region and Central Europe in the north through the Bosna river valley and through the Neretva river valley to the Adriatic and Mediterranean sea in the south. Through the valley of the river Lašva and Vrbas it is connected with Western Europe, and through the valleys of the rivers Miljacka and Praca with Eastern Europe. Several roads and railways pass through these natural corridors and their modernization would quickly connect Sarajevo to the neighboring countries and would comprehensively evaluate its cultural and historical heritage.

Corridor Vc is the main factor of integration of the Canton of Sarajevo and Bosnia and Herzegovina in general into the European transport routes to the north and the sea to the south. Air traffic connects Sarajevo with the whole world.

Sarajevo offers the possibility of various and rich content of the tourist stay throughout the year. Natural conditions offer a wide spectar of possibilities for summer and winter recreation on the mountains Bjelasnica, Igman etc. They aslo possess rich hunting areas, attractive caves, cliffs, canyons, waterfalls and lakes. Mountains of Sarajevo represent

⁶ Data on the geographical and geopolitical position, population and development indicators of the Sarajevo Canton are taken from the Development Strategy of the Sarajevo Canton until 2020.

⁷ Population figures are taken from the Information on the development of the Sarajevo Canton in 2016, Planning Institute of Sarajevo Canton, 2017

the highest quality areas in BiH for the development of winter sports and winter tourism.

Overall, 78% of the territory of the Canton is placed in mountain area 700+ meters above sea level, 13% of the terrain belongs to the hilly region of 550-700 meters and only 9% of the area belongs to the lowland area of up to 550 meters above sea level.

Drinking, mineral, thermal and thermo-mineral waters are the most important natural resources of the Sarajevo Canton and they are the basis for the development of a series of activities in line with the preferences of sustainable development.

The geopolitical location of Sarajevo is determined by the position of Sarajevo and its role as the capital of Bosnia and Herzegovina and the Federation of Bosnia and Herzegovina, and by the features which it performs in this role.

The Parliament of BiH and FBiH, the Council of Ministers of BiH, the Government of FBiH, courts and other institutions of state and federal importance, a number of consular and commercial representations, representations of international institutions and organizations operating in Bosnia and Herzegovina and many other important institutions have their headquarters in Sarajevo.

Population

The number of inhabitants in the Sarajevo Canton in mid-2016 was 417,498 inhabitants, of which 275,097 were residents in the area of the city of Sarajevo. The highest population density was in the municipality of Novi Grad with 28.7% of the total population in the Canton. The smallest share of inhabitants live in the municipality of Trnovo, 1,238 or 0.3% of the total population of the Sarajevo Canton.



Chart 2: Population of the Sarajevo Canton

In the Sarajevo Canton, the municipality with the largest area is Trnovo (338.4 km^2) and the smallest municipality is Novo Sarajevo ($9,9 \text{ km}^2$).

The most populated municipality is Novo Sarajevo, with an average population density of 6.541,4 inhabitants per km², which is 20,1 times more than the average population density of the Canton (326,0 inhabitants per km²). The least populated municipality is Trnovo with a population density of 3,7 inhabitants per km². Higher population density compared to the average population density of the Sarajevo Canton is registered in the municipalities of Novi Grad, Centar, Stari Grad, Ilijadža and Vogošća.

In 2016, in the Sarajevo Canton, 18,2% of the population was aged under 14 years, 11,6% of the population over 65 years and working contingent population group of 15-64 years of age makes 70,2% of total population.

In 2016 the highest percentage of young population (up to 14 years of age) was registered in the municipality of Ilijadža (20,4%), while the municipality of Trnovo had the lowest percentage of 13,1%. Older groups of inhabitants (over 65 years of age) have its highest percentage in the municipality of Trnovo (24,5%) and its lowest share in the municipality of Vogošća, around 7,9%.

Different dynamics of young and old population cause changes in the participation of these age groups in the total population in Sarajevo Canton. Between 2015 and 2016, the percentage of young people increased from 17,1% to 18,2%, while the share of the older people over 65 years decreased from 12,4% to 11,6%.

In 2016, the Sarajevo Canton registered 4.583 newborn inhabitants, while the birth rate stood at 11,4 %, which is an increase compared to the previous year.

In 2016 a total of 4.295 people died in the Sarajevo Canton so the mortality rate is 10,3%, which is a minor decrease compared to the previous year.

Rate of natural increase in Sarajevo Canton in 2015 was 1,1%. In the previous year it was 0,4%.

5.1.2. Overview of basic indicators of development of the Sarajevo Canton

The Sarajevo Canton, with its area of 1,277,3 km², is one of the smaller cantons in the Federation of Bosnia and Herzegovina and it occupies only 4,9% of the territory of the Federation of Bosnia and Herzegovina. In mid-2016 the total number of inhabitants in the Sarajevo Canton was 417.498, which makes around 19% of the total population in the Federation of BiH.

Sarajevo Canton, with an average population density of 326,9 inhabitants per km², is approximately 3,9 times above the average density of the Federation of Bosnia and Herzegovina and its the most densely populated canton.

All parameters of the vital statistics of Canton were higher compared to the parameters of the FBiH: the birth rate 3,0 %, the mortality rate of 0,7 %, and the rate of natural increase is still positive(+1,1 %). For comparison, the rate of natural increase in the Federation of Bosnia and Herzegovina is negative with a value of -0,7%.

By the end of 2016 a total of 130.535 employed persons were registered, which is the highest concentration (28,2%) of jobs in the FBiH. The level of employment of the population is 31,3%, which is about 50% higher than in Federation of BiH.

In the same period, in the Sarajevo Canton 69.163 inhabitants were unemployed, which is about 18,6% of the total number of unemployed in the Federation of Bosnia and Herzegovina. The registered unemployment rate in the Sarajevo Canton was 36,4% which is by 10% lower than in the Federation.

The Sarajevo Canton gained a total of 6,3 billion BAM of GDP in 2015, which is around 33,5% of the total GDP in the Federation of Bosnia and Herzegovina. The average GDP per inhabitant is 15,004 BAM, and according to this development indicator, it is 1,8 times better than the average in the Federation.

In the Sarajevo Canton, 38,4% of total of investments in FBiH were paid, and 32,9% of total investments in FBiH was achieved.

The total number registered business subjects in the Canton was 34.132 which makes 25,5% of total business subjects in the Federation.

407.567 tourists visited the Sarajevo Canton in 2016, which representis 50,3% of the total number of tourists who visited the Federation.

During 2016, the Sarajevo Canton was recorded a total import value of about 3,7 billion, or 33,6% of total import in the Federation. During the same period, total exports of goods and services from the Sarajevo Canton was over 1,0 billion, or 16,6% of total exports in FBiH. The export-import ratio in the Canton was 28,3%, and is significantly less than it was achieved in FBiH.

At the beginning of 2016/2017 school year, the Canton had 36.490 students of primary education, which is 19,4% of the total number of students of primary education in FBiH. Secondary schools were attended by 15.285 students, which is 18,5% of total secondary students in FBiH. The Sarajevo Canton had 32.214 university students which is 46,5% of total university students in FBiH.

In 2016 the Sarajevo Canton had 1.424 medics which is 29,9% of the total medics in the Federation. The number of dentists in the canton was 253 (43,1% of total dentists in FBiH).

According to these indicators, the Sarajevo Canton appears as a significant area of concentration of economic resources (population, employment, unemployment), as well as the effects of development (level of employment, the volume of foreign trade. The highest GDP per capita in FBiH is realized in Sarajevo Canton. It is the largest educational, health and tourism center in the Federation.

It should be noted that although in the Sarajevo Canton resides less than 20% of the population in an area of 5% of the total FBiH, the GDP indicators, paid investment, foreign trade level and the number of business subject are over 30% of the total in FBiH , which indicates the economic vitality of the Canton.

Table 3. Main indicators of the Sarajevo Canton and the Federation of BiH.

Main indicators	Sarajevo Canton	Federation of BiH	% of total number in FBiH
Area	1.277,30	26.109,70	4,9
Population density / km2	326,9	84,5	3,9
Total population (mid year)	417.498	2.206.231	18,9
<15	75.903	408.724	18,6
15-65	293.170	1.556.536	18,8
>65	48.425	240.971	20,1
Birth rate (per 1.000 inhabitants)	11,4	8,4	1,4
Death rate (per 1.000 inhabitants)	10,3	9,6	1,1
Rate of natural increase (per 1.000 inhabitants)	1,1	-0,7	-1,6
Employed (XII)	130.535	462.933	28,2
Employment level (%)	69.163	372.207	18,6
Unemployed	199.698	835.140	23,9
Unemployment level of the total population (%)	31,3	21,0	1,5
Unemployment level of the working force(%)	44,5	29,7	1,5
Unemployment rate (%)	34,6	44,6	0,8
Working force	1.049	861	1,2
Average net salary in BAM (XII)	6.248.265	18.677.169	33,5
GDP (in 000 BAM)	15.004	8.466	1,8
GPD per capita, BDP/pc in BAM	287	156	1,8
Tax income per capita in BAM	34.132	134.019	25,5
Registered business subjects	1.110.308	2.892.819	38,4
Paid investments (in 000 BAM)	819.914	2.495.001	32,9
Achieved investments (in 000 BAM)	97,5	107,6	90,6
Physical volume production index	96,8	115,2	84,0
Processing industry index	407.567	811.055	50,3
Tourists	822.045	1.613.567	50,9
Overnight stays	1.039.432	6.259.782	16,6
Export (000 BAM)	3.669.805	10.925.411	33,6
Import (000 BAM)	4.709.237	17.186.193	27,4
Foreign trade (000 BAM)	28,3	57,3	49,4
Export/import rate (%)	36.490	188.430	19,4
Business subjects	15.285	82.675	18,5
Revenue (in mil. BAM)	32.214	69.345	46,5
Expenditure (in mil. BAM)	1.424	4.764	29,9
Net profit (in mil. BAM)	253	587	43,1
Loss (in mil. BAM)	87.820	345.629	25,4
Elementary school students (school year 2015/2016)	1.277,30	26.109,70	4,9
Secondary school students(school year 2015/2016)	326,9	84,5	3,9
University students (school year 2015/2016.)	417.498	2.206.231	18,9
Medics	75.903	408.724	18,6
Dentists	293.170	1.556.536	18,8
Retiree (average per year)	48.425	240.971	20,1

The summary of the relative levels of development of the Sarajevo Canton compared to the level of development of the Federation of Bosnia and Herzegovina are presented through the level of development, and based on that, the cantons are ranked compared to the Federation of Bosnia and Herzegovina.

Table 4. Level of development of cantons compared to the Federation of BiH 2016.

Canton	Employment rate in %	Employment level in %	Prim.+sec students Per 1000 inhabitants.	Tax income per capita	Index of absent population	F BiH=100					Development index	Place
						Employment level	Unemployment level	Students per 1000 inhabitants	Tax income per capita	Index of absent population		
Una-Sana	17,0	57,4	120,0	94,0	-21,3	57,7	71,9	97,2	60,1	93,7	76,1	8
Posavina	19,1	46,6	88,0	113,0	-33,3	64,8	96,1	71,2	72,2	33,8	67,6	10
Tuzla	26,7	52,0	123,0	111,0	-15,5	90,9	84,1	100,2	71,0	122,5	93,7	4
Zenica-Doboj	28,1	47,9	135,0	133,0	-24,7	95,4	93,2	110,0	85,1	76,7	92,1	5
Bosnian Podrinje	40,9	34,3	122,0	185,0	-43,2	138,8	123,6	99,5	118,4	-16,0	92,9	6
Central Bosnia	24,3	47,1	128,0	102,0	-25,7	82,6	94,9	103,7	65,4	71,8	83,7	7
Hercegovina- Neretva	31,8	40,9	118,0	202,0	-18,0	108,0	108,7	95,9	129,2	110,0	110,4	3
West Herzegovina	28,4	39,4	127,0	164,0	5,6	96,5	112,1	103,7	105,1	228,1	129,1	2
Sarajevo	44,0	34,9	124,0	287,0	-15,4	149,6	122,2	101,0	183,9	123,1	136,0	1
Canton 10	16,8	48,0	85,0	91,0	-29,2	57,0	92,9	69,1	58,6	54,1	66,3	9
Federation of BiH	29,4	44,8	123,0	156,0	-20,0	100,0	100,0	100,0	100,0	100,0	100,0	

Source: The Federal Institute for Development Programming, Socio-economic indicators per municipalities in the FBiH In 2016

According to the development index, which summarizes the levels of development measured by the employment rate of the population, unemployment rate, number of students per thousand inhabitants, tax revenue per capita, and the index of the absent population, the Sarajevo Canton is ranked in first place, with an index value that is over 36% above average development of the FBiH.

5.1.3. Development strategy of the Sarajevo Canton until 2020.

Sarajevo Canton Assembly adopted the Strategy for Development of Sarajevo Canton until 2020 at its meeting held on 09.07.2016. The development Strategy of the Sarajevo Canton until 2020 is a strategic document that guides development, sets priorities in development and represents a milestone for the overall development of the Canton taking into account all its dimensions: economic, social, environmental and spatial. It is a planning document, which purpose is to develop foundations for public policies by assessment of external and internal environment and creating a vision and development goals. Such policies are implemented through appropriate projects in areas relevant to the economic, social and environmental development and ensure the use of

public resources to support the realization of the development objectives, policies and projects for the development of the Canton.

The strategy is the basis for making operational decisions about public investments, to take measures in the field of economic, social and environmental development and provide the necessary resources for their implementation. It is also a management tool for the development of the Canton and the budget of the Sarajevo Canton.

The vision for the development of the Canton until 2020 is defined in the strategy and it says: the Sarajevo Canton is an European dynamic, creative and culturally diverse region of pleasant living and profitable business.

Five strategic directions of actions of the Canton until 2020, which aim is to create a mechanism for the realization of the vision of development, to ensure the connection between the concrete future actions and vision development, were defined:

Strategic directions of actions of the Canton until 2020 – strategic goals:

1. Improve administrative and business environment for rapid economic growth and improve the economic structure in order to increase exports of goods and services
2. Increase the employment and create new and better evaluated jobs
3. Create conditions for social and economic growth and reduce poverty and improve the availability and reliability of public services
4. Responsibly manage the environment, space, natural resources and infrastructure
Improve the system of managing the development in the Sarajevo Canton

By performing internal quantitative and qualitative analysis of the current situation in Canton, opportunities and threats in the immediate and wider environment of Canton, general conclusions relating to public administration, several key strategic challenges and focus with which the Canton have to face in the coming years were spotted. Those strategic challenges are the result of the evaluation of internal and external factors in the Sarajevo Canton:

- How to ensure employment growth (better paid jobs)?
- How to achieve rapid and sustainable economic growth and change the economic structure?
- How to restructure the public sector and achieve sustainability of budget?
- How to improve the satisfaction of social needs and increase social inclusion?
- How to achieve activism of users of social benefits and budget transfers?
- How to live in a healthy and friendly environment and use it in an economically efficient and sustainable way?
- How to increase the level of public investment and to attract public-private partnership?

Those strategic challenges are the basis for defining of strategic focus for future work on the Development Strategy of the Sarajevo Canton until 2020. The strategic focus is based on the unique internal forces which are at Canton's disposal and key shortcomings and challenges, which to be resolved in the next few years.

In addition to the findings resulting from the SWOT analysis, the connection with the focuses of European development documents, development and sectoral strategic documents in BiH and Reform Agenda for BiH 2015-2018 were taken into account. Such documents primarily refer to the management of development, as a key mechanism for enforceability of the strategy which is prescribed in the strategic planning methodology.

Those strategic challenges are pointed on basic strategic focus: The quality of life of citizens in the Sarajevo Canton.

By joining of individual results of the SWOT analysis, the basis for the definition of five strategic focus in future work on the integrated development strategy for the Sarajevo Canton until 2020 was defined.

Strategic focus 1. Rapid economic growth

Strategic focus 2 . Employment growth

Strategic focus 3. Availability, quality and sustainability of public services

Strategic focus 4. Situation in the environment and putting into force the development and raising of the quality of life

Strategic focus 5. Developed system for governance of the Canton's development

The strategic focus and vision of the Canton defines five strategic objectives, ensuring synergies between the economy, environment and society, with full respect for the interests of local government. They have recognizable sectoral emphasis, but are also integral and linking.

With a goal to ensure vertical and horizontal integration and compliance with the policy framework of Canton, the compliance of each strategic objective to strategic documents of higher levels was observed, among which is the compliance with the Strategy for smart, sustainable and inclusive growth - Europe 2020, the Strategy of public investments 2020, EU strategy for the Danube region, the Agreement for growth and employment in BiH, the Strategy for a prosperous and integrated Adriatic-Ionian region and the reform agenda which was supported by the Council of Ministers in BiH, Government of FBiH and cantonal governments.

The institutional and organizational framework for implementing of the strategy

In order to strengthen the mechanism for the implementation of development priorities within the Canton and to create the opportunity for more effective implementation of strategic and priority objectives defined within the integrated development strategy of

Canton for the period 2016-2020, the management system development will be strengthened.

Accordingly, the Canton will accept and practically apply the functional system, which contains a horizontal (between ministries) and vertical (between cantonal institutions, higher levels of government and local self-government within the Canton) coordination, direct alignment of strategic planning and budget processes and system implementation, monitoring and evaluation of development goals. The system for governance of the development will define responsible institutions, mechanisms of partnership and key steps of the process, and thus enable more effective and efficient public administration, development-oriented results and optimum absorption capacities for the use of external financial resources.

Due to the complexity and integrated nature of the system for governance of development in the Canton, its institutional framework will be formed by Government of the Canton, cantonal ministries and their competent structures responsible for planning and managing development and the Development Planning Institute of Sarajevo Canton.

5.1.4. Budget of the Sarajevo Canton

The budget of the Sarajevo Canton is a binding framework for the operations of the public sector and, in financial terms, it is the revenues and expenditure plan. Creating and implementing of the budget is based on the principles of unity, accuracy, balance and the legality of the budget, the principle of universality, efficiency, cost-effectiveness and transparency. Preparation of the annual budget is based on the budget calendar and Budget Framework Paper, which includes at least one fiscal year and the next two years. The structure of budgetary funds are made by tax and non-tax revenue, as the dominant sources of the budget, followed by grants, donations, capital receipts and account funding.

Activities to improve the financial system

The Sarajevo Canton Government has achieved stability of the financial system in full respect of the budget balance. To achieve this, a rationalization of public spending was carried out, which resulted in efficient governance of public finance, effective public spending, which has led to optimum control of the accumulated deficit.

Fiscal policy measures, such as public works or projects of public employment in the Sarajevo Canton, are carried out through Employment Services. The unemployment rate is significantly lower than the average of the Federation and one of the lowest compared to all other cantons, which indicates to a very good economic potential of the Sarajevo Canton.

In the past period, the Government has undertaken an intensive series of measures, which have contributed to the functioning of the established system, and which refer to:

- measures for rational spending of budget,
- strengthening the bodies of the Cantonal inspection,
- creating a favorable business climate,
- bigger control over the use and collection of funds based on the use of natural resources in the Canton,
- moratorium on employment which have no economic justification,
- improving the efficiency of utility companies,
- control of salaries and fees,
- control of the work of committees and the overtime work of employees,
- optimizing and increasing the transparency of public procurement,
- clearing debts based on executive court decisions from previous years.

The Canton has improved the business environment with changes of legislation governing this field, which resulted in a significant increase of registered businesses. In cooperation with the IFC (International Finance Corporation), a member of the World Bank group, the Government of Canton has launched, and largely implemented, the project of improvement of the business environment in the Sarajevo Canton.

Some results are already visible, such as:

- launching of the E register or list of all administrative procedures in the Sarajevo Canton. E register can be found on the official website of the Government of the Sarajevo Canton
- on 6th January 2016 year, the Sarajevo Canton Assembly adopted the Law on Amendments to the Law on Court Fees and the Law on Amendments to the Law on Administrative Fees
- the Sarajevo Canton gained savings for the private sector in accordance with the aforementioned amendments to the Law on Court Fees in the amount 1.272.445 BAM
- the savings arising from the simplification / improvement of administrative procedures within the competence of the organizational units of Canton for the private sector were 1.145.537 BAM

Total savings resulting from the realized activities of the project, as of 30th June 2016, for the private sector in the Sarajevo Canton amount to 2.417.982 KM. Charge for establishing and founding of new companies, i.e. registration in the Court register has been reduced from 200,00 to 35,00 BAM.

During the period from 07.01.2016. until 01.12.2016. the number of newly established companies in the Sarajevo Canton was 392, which is by 17,7% more compared to the same period in 2015 (333 companies).

In the near future, the Canton has a plan to establish an Agency to attract investment and privatization and to adopt the new Law on Spatial Planning and Construction.

Debt and deficit of the Sarajevo Canton

The average rate of growth of the debt in the Sarajevo Canton, for the period between 2011 and 2016 is 11,9%. However, compared to the GDP, the debt of the Canton is not worrisome, because the Canton, unlike the Federation (21%), recorded a relatively low level of total debt in relation to GDP. During the period (as referred to in Table 5) it is visible that the average proportion of debt, compared to the GDP, is around 2,6% per annum.

Table 5. Basic fiscal indicators for the Sarajevo Canton, 2011.-2016.

	Sarajevo Canton	2011	2012	2013	2014	2015	2016
1	GDP (mil BAM)	5.769,98	5.922,49	6.077,79	6.084,77	6.248,26	n.a.
2	Total debt (mil BAM)	117,92	142,69	135,51	190,47	201,97	195,82
3	debt/GDP	2,04	2,41	2,23	3,13	3,23	n.a.
4	Deficit (mil BAM)	24,88	84,42	119,60	90,52	73,59	77,61
5	The deficit rate of change (%)		239,28	41,67	-24,31	-18,70	5,46
6	The debt rate changes (%)		21,01	-5,03	40,56	6,04	-3,04

Source: The Ministry of Finance, Planning Institute of the Sarajevo Canton

During the period 2011-2013, the Sarajevo Canton increased the accumulated deficit by almost 95 million, and in the period 2013-2015 the accumulated deficit was reduced by 46 million, while in 2016 it increased by about 4 million. During the mandate of the current Government, the accumulated deficit decreased by 16,6%, which reduced the fiscal pressures significantly.

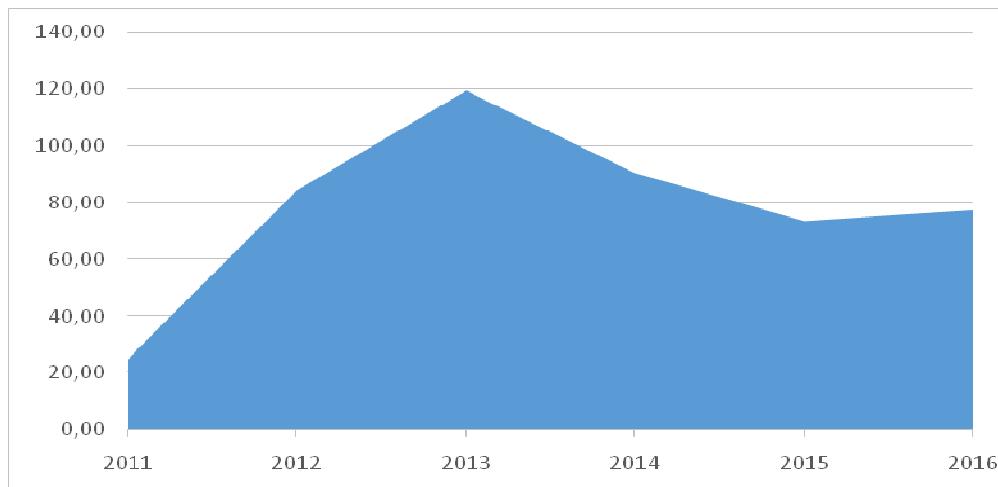


Chart 3. Cahnges in the deficit in the Sarajevo Canton, 2011.-2016., mil BAM

In addition to reducing the accumulated deficit, the current Government, improved the average liquidity of the budget. The transparency of public finances, true and fair presentation of the state of assets and liabilities was improved. The unitary treasury

account is fully integrated⁸. In 2016 all other budget users have closed the earlier transaction accounts, which existed outside the Single Treasury Account.

Future activities

With the aim of further improvement of the functioning of the entire system, guidelines for linking the strategic objectives and priorities of the Sarajevo Canton with budgetary resources were defined:

- The Sarajevo Canton Government adopted the Regulation on own revenues, which will allow a more rational consumption of own source revenues, and will continue to work on connecting strategic objectives and priorities for the period 2017-2020 with the expenditure of these funds
- The government intends to make structural reform of t public companies which it is the owner of, with the purpose of their market reorganization and self-sustainability, and therefore to free substantial funds in the next budget period (about 40 mil. KM per year). Efforts will be made to more efficient spending of the existing material and human resources, their market orientation, improvement of existing and introduction of new services, linking with the private sector if possible, with the purpose of providing quality services to the public with minimal budget allocations. With one effective reorganisation, these small enterprises should be, not only sustainable, but also priofitable, in the next 5 to 10 years.
- In the next mid-term period, we will insist on efficient rearrangement of the limited budget, and on the detailed explanation of budget requests by priority, arising from the Development Strategy of the Sarajevo Canton, as well as sectoral strategies adopted by the budget users.
- The Canton should enter into the process of establishing capacity of staff by all budget users in order to nominate the project at international institutions (particularly related to EU integration such as IPA funds and other EU funds). Projects of ministries, which could be financed through EU funds would considerably reduce existing budgetary expenses and enable the use of planned budget resources for other strategic priorities of the Government.
- There will be some work regarding thereduction of capital debts by credit obligations where no real conditions were present, and if capital projects weren't planned in accordance with the Regulation on the method and criteria for their preparation, development and monitoring the implementation of the Public Investment Program of the Sarajevo Canton, in order to avoid situations in which the Sarajevo Canton regulary pays off the interest and principal for loans or credits which were not used for the planned project, thus creating an even larger budget gap.

⁸ Except the University in Sarajevo

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- The Government will apply a more favorable model of loans and credits through bond emmissions, which should reduce loan costs.

The Sarajevo Canton budget for 2017

The Sarajevo Canton Assembly adopted the budget of the Sarajevo Canton for 2017 at its session held on 28.12.2016 which amounts 712,379,300 KM⁹.

Table 6: The Canton's budget 2017.

1.	REVENUES (1.1.+1.2.+1.3.+1.4.+1.5.)	658.863.170
1.1.	REVENUES FROM TAXES (1.1.1. do 1.1.7.)	565.083.100
1.1.1.	Profit tax for individuals and companies	68.960.000
1.1.2.	Taxes on payroll and workforce	620.000
1.1.3.	Property tax	10.930.000
1.1.4.	Domestic taxes on goods and services (remaining taxes)	568.000
1.1.5.	Revenues from personal income tax	120.137.700
1.1.6.	Revenues from indirect taxes	363.789.400
1.1.7.	Other taxes (remaining)	78.000
1.2.	NON-TAX REVENUES	77.651.170
1.3.	CURRENT TRANSFERS AND DONATIONS	16.097.900
1.4.	CAPITAL TRANSFERS	
1.5.	REVENUES FROM REMAINING LIABILITIES	31.000
2.	EXPENDITURES (2.1.+2.2.)	634.573.400
2.1.	EXPENDITURES	567.789.100
2.2.	CAPITAL TRANSFERS AND EXPENSES	59.613.500
2.3.	INTEREST RATE EXPENSES	7.170.800
3.	CURRENT ACCOUNT (1.-2.)	24.289.770
4.	REVENUE FROM NON-FINANCIAL ASSETS 811000	9.772.000
5.	COSTS OF ACQUISITION OF NON-FINANCIAL ASSETS 821000	29.133.900
6.	NET ACQUISITION OF NON-FINANCIAL ASSETS (4.-5.)	-19.361.900
7.	TOTAL SURPLUS (3.+6.)	4.927.870
8.	REVENUES FROM FINANCIAL ASSETS AND BORROWING	43.744.130
8.1.	REVENUES FROM FINANCIAL ASSETS	2.866.700
8.2.	REVENUES FROM DOMESTIC BORROWING FOR CAPITAL PROJECTS	12.480.000
8.3.	REVENUES FROM DOMESTIC BORROWING	20.000.000
8.4.	REVENUES FROM DOMESTIC BORROWING ZA FINANCE THE DEFICIT	8.000.000
8.5.	Surplus of unspent funds from the Escrow account	397.430
9.	EXPENDITURE FOR FINANCIAL ASSETS AND DEBT PAYOFF	40.572.000
9.1.	FINANCIAL ASSETS EXPENDITURES	1.471.000
9.2.	DEBT PAYOFF EXPENDITURES	39.101.000
10.	NET FINANCING (8.-9.)	3.172.130
11.	OVERALL FINANCIAL RESULTS (7.+10.)	8.100.000
12.	ASSETS FROM ARTICLE 11. WILL BE USED TO COVER A PART OF THE ACCUMULATED DEFICIT FROM 31.12.2016	8.100.000
TOTAL REVENUE, INCOME AND FINANCING (1.+4.+8.)		712.379.300
TOTAL COSTS, EXPENDITURES AND DEFICIT SETTLEMENT (2.+5.+9.+12.)		712.379.300

⁹ "Official Gazette of Sarajevo Canton", No. 53/16

Below is a comparative view of the Sarajevo Canton Budget for 2017 and budget projections for 2018 and 2019.¹⁰

Table 7: Calculation of income, capital receipts and account funding

	Canton's budget 2017	Projection of Canton's budget for 2018	Projection of Canton's budget for 2019
A. REVENUES	658.863.170	674.396.200	705.255.700
TAX REVENUES	565.114.100	579.521.700	616.853.800
Profit tax for individuals and companies	68.960.000	69.831.600	72.456.800
Taxes on payroll and workforce	620.000	500.000	450.000
Property tax	10.930.000	10.950.000	9.900.000
Domestic taxes on goods and services (remaining taxes)	568.000	589.000	595.000
Revenues from personal income tax	120.137.700	121.819.700	123.281.500
Revenues from indirect taxes	363.789.400	375.755.900	410.110.500
Other taxes	78.000	60.500	45.000
Remaining liabilities revenues	31.000	15.000	15.000
NON-TAX REVENUES	77.651.170	79.281.000	73.386.900
Income from entrepreneurial activity and property	4.270.300	4.408.700	4.375.900
Charges and fees, income from own activities and unscheduled payments	64.079.500	64.657.300	59.732.000
Fines	9.301.370	10.215.000	9.279.000
CURRENT TRANSFERS AND DONATIONS	16.097.900	15.593.500	15.015.000
B. CAPITAL REVENUE	9.772.000	1.332.000	1.332.000
C. FINANCING	43.346.700	13.419.400	3.409.400
Revenues from received repayments	2.866.700	3.419.400	3.409.400
Revenues from direct borrowing	40.480.000	10.000.000	
D. SURPLUS OF UNSPENT FUNDS FROM DIRECT BORROWINGS FROM THE PREVIOUS YEAR (domestic loans and ESCROW account)	397.430		
TOTAL (A+B+C+D)	712.379.300	689.147.600	709.997.100

Although the projected revenues in 2018 and 2019 are lower than in 2017, the analysis of the structure of planned revenues reveals a more favorable position of the Sarajevo Canton in the next two years because of the expected growth of indirect tax revenues, revenues from income tax and profit tax. The final amount of receipts from domestic

¹⁰ The Sarajevo Canton's budget 2017 ("Official Gazette of Sarajevo Canton", No. 53/16)

borrowing will be known during the adoption of the budget for 2018 and 2019 by the Assembly of the Sarajevo Canton.

Table 8: Expenses, capital expenditures and expenditures from the account funding

	Canton's budget 2017	Projection of Canton's budget for 2018	Projection of Canton's budget for 2019
Salaries and expenses for employees	257.080.200	257.088.900	257.088.900
Salary taxes	25.415.000	25.415.000	25.415.000
Expenses for materials and services	56.927.800	54.581.300	55.991.300
TOTAL CURRENT EXPENSES	339.423.000	337.085.200	338.495.200
CURRENT TRANSFERS	226.889.100	224.483.900	225.323.000
CREDIT AND LOAN EXPENSES	7.170.800	5.953.900	4.462.400
CAPITAL TRANSFERS AND EXPENSES	88.747.400	60.375.700	69.697.000
Caital transfers	59.613.500	34.824.300	42.605.600
Expenses for the purchase of fixed assets	29.133.900	25.551.400	27.091.400
FUNDS FOR LENDING	1.471.000	1.501.000	1.501.000
DEBT REPAYMENT	39.101.000	47.747.900	39.018.500
ACCUMULATED DEFICIT FROM PAST YEARS	8.100.000	10.500.000	29.000.000
CURRENT CANTON'S RESERVE	1.477.000	1.500.000	2.500.000
TOTAL	712.379.300	689.147.600	709.997.100

As indicated in the table, a further rationalization of the budget consumption in the fields of the current expenditures and transfers is expected.

Budget execution as of 30.06.2017

In the budget of the Sarajevo Canton for 2017, a total of 712,379,300 BAM, on the basis of revenues, receipts and financing, was planned and during the first half of 2017, and in accordance with the legal provisions of the Law on Execution of the Sarajevo Canton Budget for 2017, it was increased to the amount of 775.287.984 BAM.

For the given period, the realization of the Sarajevo Canton Budget is 51.96% of the planned funds or 402.820.756 BAM, which is 22.43% more than in the same period of 2016.

Within total realized revenues, receipts and financing, tax revenues (income tax, wages tax, property tax, indirect tax revenues, etc.) were realized in the amount of 311,074,551 BAM, which is 54.71% of the total of planned revenues and it is by 12.81% more than in the first six months of 2016.

Table 9: Revenues as of 30.06.2017.

REVENUES	01.01.-30.06.2017. (BAM)	% of the total revenues
REVENUES	388.839.197	96,53%
CAPITAL REVENUES	478.410	0,12%
FINANCING	13.503.148	3,35%
TOTAL REVENUES	402.820.756	100,00%
SURPLUS OF UNSPENT FUNDS FROM PREVIOUS YEARS		
TOTAL	402.820.756	

Compared to the previous year, a significant increase was recorded for the following categories:

- Corporate income tax was realized in the amount of 65.406.647 BAM, which is an increase of 92.43% or 31.417.007 BAM compared to the previous year;
- The property tax for the first half of 2017 was 6.817.039 BAM, which is an increase of 274.766 BAM or 4,2%;
- Wages tax amounted to 63.531.699 BAM or 52.88% of the planned amount in the Sarajevo Canton Budget for 2017, which is by 9,58% higher than in 2016;
- Within non-tax revenues „Fees and taxes“, revenues from own activities and unplanned payments were realized in the amount of 62.282.283 BAM, which is an increase of 25.764.696 BAM in comparison to 2016. The achieved cantonal fee was 36.794.430 BAM. In 2016, this fee was merely 3.150.072 BAM. The significant difference in the amounts will be explained in further text.

1. Tax revenues were 311.074.551 KM, which is 54,71% of the planned Sarajevo Canton Budget for 2017. Compared to the last year, it is an increase of 12,81%.

Tax revenues are:

- Income from indirect taxes, as the most significant item, with a share of 47,64% in total planned revenues from indirect taxes, amounted to 174.991.849 BAM, are referring to:
 - Income from indirect taxes belonging to the Canton in the amount of 170.312.327 BAM, which is by 0,27% more than in the previous year;
 - Dedicated indirect taxes from the Directorate for Roads in the amount of 4.679.522 BAM, which is 6,98% less than last year.

- Wage taxes were 63.531.699 BAM or 52,88% of the planned amount in the canton's budget and they increased by 9,58% compared to the last year. Analyzedly, the largest share in the mentioned revenues is income from personal income tax from non-self-employed activities in the amount of 48.698.974 BAM. Far from the aforementioned revenues are income tax from other non-self-employed activities referred to in Article 12 paragraph (4) of the Law on Income Tax ("Official Gazette of the Federation BiH", no. 10/08, 9/10, 44/11, 65 / 13, 7/13) and revenues from income tax after the final calcucaltion („Official Gazette of the Federation BiH“, no.: 10/08, 9/10, 44/11, 65/13, 7/13) and revenues from wages tax after the final calculation.
- Income tax for individuals and enterprises was 65.485.157 which makes 94.96% of the planned income tax revenue in the budget. It increased by 92,04% compared to 2016. It is important to note that the corporate income tax is 65.406.647 or 95,28% of the planned revenues, which is by 92.43% more compared to the last year Income tax for individuals is 78.510 BAM which is 25,33% of the planned amount and it decereased by 28,87% compared to 2016.
- The property tax was similar compared to 2016. In the first half of 2017 the collected tax was 6.817.039 BAM and compared to 2016. it is an increase of 4,20%.

2. Non-tax revenues (revenues from entrepreneurial activities and assets, fees and taxes, income from own activities and unplanned payments and fines) were 66.907.287 BAM i.e. 55,39% of the planned amount in the 2017 budget of the Sarajevo Canton and they increased by 25.969.520 BAM compared to the first half of 2016.

Separately, it looks as follows:

- revenues from entrepreneurial activities and assets 552.084 BAM; 12,44% of the planned revenues and by 4,74% compared to the last year;
- fees and taxes, income from own activities and unplanned payments were 62.282.283 BAM; in 2016. they were 36.517.587 BAM. The increase of 25.764.696 BAM refers to closing the account of the Institute for the Construction of the Sarajevo Canton which was located outside the Single Treasury Account in accordance with the recommendations of the Audit Office and payment of those funds to the Sarajevo Canton deposit account;
- Collected fines were 4.072.920 BAM or 43,79% of the planned amount, The last year's collected fines in the first half of the year were 3.893.057 BAM.

3. Collected transfers and donations were 9.695.198 BAM i.e. 49,28% of the planned amount. This budget item decereased by 2,16% compared to the first 6 months of 2016. when they amounted to 9.909.347 BAM. Within this position, the current transfers received from other levels of government make the largest portion of this budget item;

9.108.954 BAM or 48,90% of the plan in the Sarajevo Canton Budget for 2017. Nevertheless, it decreased by 0,27% compared to 2016. Donations of the budget users were 347.163 BAM, and compared to 2016 (736.181 BAM), they significantly decreased. Capital transfers amounted to 1.162.164 BAM. In the last year there were no capital transfers at all.

4. Capital receipts amounted to 478.410 BAM, which is only 4.60% of realization in relation to the plan and it is 41.74% less compared to the previous year. The financing account is characterized by slightly less achievement in the first half of the current year compared to the previous year. Based on the financing of the Sarajevo Canton Budget for 2017, funds in the amount of 1.469.436 BAM were transferred to the Treasury Single Account and are by 6,04% less than the receipts from the repayments, which amounted to 1.563.864 BAM in the previous year after the first six months.

5. The achieved financing calculation was 13.503.148 BAM i.e. 24,59% of the planned amount and it increased compared to the last year. They refer to received repayments in the amount of 1.469.436 BAM and deferred income received from the loan in the amount of 12.033.712 BAM.

The largest decrease compared to the previous year was recorded by the item Own revenues of budget users, which were 5.899.163 BAM and they decreased by 6.491.390 or 52.39% compared to 2016. Namely, at the beginning of 2017 (i.e. in December 2016), a new Decree on own incomes was introduced, which, in accordance with the recommendations of the Audit Office, deleted several budget income items, by losing the status of own revenue item and therefore, it is no longer defined as own income, but as a public revenue of the Sarajevo Canton Budget (Other cantonal fees that budget beneficiaries accomplish by performing their core business). Accordingly, it can be conclude that there was no real decline in the realization of own revenues, but that the realization was transferred to another type of income (other Cantonal fees – 722429).

In the period of 01.01. - 30.06.2017 expenditures were 303.580.344 BAM, i.e. 39,16% of the planned amount in the budget of the Sarajevo Canton.

Wages and wage taxes increased by 3,42%, expenditures for the purchase of fixed assets increased by 18,03%, while repayment of debts increased by 10,54%. Expenditure decrease occurred at the positions of expenditures for materials and services by 2,70%, current transfers by 0,51%, expenditures for loans by 13,53%, and capital transfers 17,77%, compared to the second quarter of 2016 years.

Table 10: Expenditure as of 30.06.2017.

Konto	Expenditure	Realisation 01.01.- 30.06.2017	(%)
611000	Employees wages and costs	131.923.511	43,46%
612100	Taxes of employers and other taxes	13.108.816	4,32%
613000	Material and services expenditure	21.621.546	7,12%
614000	Current transfers	100.905.721	33,24%
616000	Liabilities	2.325.328	0,77%
615000	Capital transfers	7.520.302	2,48%
821000	Fixed assets purchase	7.164.758	2,36%
822000	Lending means	0,0	0,00
823000	Debt repayment	19.010.363	6,26%
600000	Current reserve	0,0	0,00%
	Accumulated deficit from previous years	0,0	0,00%
	TOTAL	303.580.344	100,00%

In the period of 01.01. - 30.06.2017. realised current transfers were 100.905.721 BAM i.e. 43,01% of the planned amount in the Budget of the Sarajevo Canton for 2017. In comparison to the same period of the previous year it is a decrease of 0,51%.

Capital expenditures (expenditures for procurement of fixed assets and capital transfers) in the observed period were executed in the amount of 14.685.061 KM or 10.29%, compared to the plan of the Sarajevo Canton Budget for 2017.

Within the budget of Sarajevo Canton for 2017, expenditures for procurement of fixed assets were planned in the amount of 58.164.015 BAM and in the reporting period they were executed in the amount of 7.164.758 KM or 12,32% of the planned expenditures for the purchase of fixed assets in the Budget of the Sarajevo Canton for 2017. It is an increase of 12,32% compared to the last year.

The planned capital transfers in the budget of the Sarajevo Canton are 84.493.319 BAM. During the first half of 2017 the amount of realised capital transfers was 7.520.302 BAM which is merely 8,90% of the planned amount. If we observe this execution in the same period of the last year, a decrease of 17,77%.in execution was registered.

The amount of planned expenditures for repayment of loans int the Sarajevo Canton budget for 2017 is 39.101.000 BAM. The total amount of repayments realised from 01.01.-30.06.2017. was 19.010.363 BAM or 48,62% of the funds planned in the Budget. This is an increase of 10,54% in comparison to the same period of the last year.

5.1.5. Programme of public investments in the Sarajevo Canton 2017.-2019.

Public investments are part of the budget which are planned for investment to significantly increase the value of non-financial assets through the acquisition of infrastructure of general importance, buildings, land and equipment. In order to adjust development projects with realistic sources of funding, the Canton Government adopted the Public Investment Program of the Sarajevo Canton 2017-2019 (PJI), which contains al information about a total of 131 projects. 99 of them are nominated projects, and 32 projects are in the implementation process.

The total value of all projects is 1.005.016.797 BAM. The value of 99 nominated projects is 689.756.074 BAM.

The total number of projects in the implementation process is the 32 and their value is estimated to 315.260.723 BAM. The Sarajevo Canton participates with 29.148.360 BAM or 41,0% in the funding of those projects and the share of other sources of financing is 59,0%.

The total realized amount of the projects in the implementation process is 141.371.354 BAM or 44,8%. The total participated amount of the Sarajevo Canton in the projects is 58.641.603 BAM or 41,5%; 82.729.751 BAM or 58,5% are ensured through other sources of funding.

On 30.06.2016 the total realized amount was 11.613.213 BAM or 17,6% and the realized budget funds were 8,4%.

Table 11. Current and nominated projects¹¹

Projects	Number	Total value	Realized	Plan		
				2017	2018	2019
Total nominated	99	689.756.074				
Total current	32	315.260.723	141.371.354	31.853.091	25.514.838	24.555.000
Canton's participation		129.149.360	58.641.603	23.495.151	10.394.838	10.795.000
Other sources of funding		186.112.363	82.729.751	8.357.940	15.120.000	13.760.000
Canton's participation %		41	41,5	73,8	40,7	44
Other sources of funding %		59	58,5	26,2	59,3	56
Total (current and nominated)	131	1.005.016.797	141.371.354	31.853.091	25.514.838	24.555.000
Finished projects	4	24.919.287	24.919.287			

¹¹ information on the status of projects, in terms of the implementation process phase and the amount of necessary funds are submitted by competent ministries; the missing funds are unsecured funds; planned funds for 2017, 2018 and 2019 represent amounts planned within the Budget of Sarajevo Canton

To continue the realization of the projects in the implementation process, it is necessary to ensure a total of 31.853.091 BAM, of which is 23.495.151 BAM (73,8%) from the Canton's budget and 8.357.940 BAM (26,2%) from others sources of funding.

5.1.6. Main ongoing investments

The project of reconstruction of wastewater treatment plant in Butila, funded from the WB-IBRD credit in the amount of 23,60 million EUR and co-funded by grants from the IPA funds in the amount of 9.947.000,00 EUR. The project is implemented by KJKP Vodovod i kanalizacija. In addition to the works on the reconstruction of wastewater treatment plan the funds are used for the purchase of special vehicles for the sewer plant and for reconstruction work on the sewage network in several locations in Canton. Implementation of the project began in July 2010 and on 31.12.2016, 21.135.855,54 EUR (41.338.140,34 BAM) was spent, which is 89,56% of the approved loan funds. The approved IPA funds were disbursed in the amount of 100% and the final approval of the third grant in the amount of EUR 2.322.500,00 is expected to be finalized. Works on the reconstruction filters and installation of new equipment was realized. Test period is completed and the plant is now fully functional. The deadline for the withdrawal of unspent loan funds was extended until 05.31.2017.

Project of reconstruction and equipping of the Clinical Center of the University of Sarajevo (completion of the CMB-Central Medical Block), which is funded by loans from Saudi Fund for Development in the amount of USD 14,45 million. Loan agreement was concluded in 2010, but has not yet been fully implemented due to changes in projects. The deadline for withdrawal is extended to 31.03.2017.

On 31.12.2016. the total withdrawn was USD 14.211.916,97 of loan funds, which were used for the completion of the following facilities:

- Construction of Cardiology
- Construction of operating rooms with intensive care and resuscitation
- Construction of a therapeutic Department of Nuclear Medicine
- Construction of the Ophthalmic Clinic and the Clinic for Plastic Surgery
- Construction and equipment of the Department of Hematology

Project of road construction, funded from EBRD loans in the amount of EUR 16,50 mil (32.271.195,00 BAM). The credit became effective on 28.10.2013 and on 31.12.2016 the total withdrawn amount was EUR 15.344.366,45 (30.010.972,23 BAM). The funds are intended for implementation on the construction and / or modernization of the south longitudinal and transversal XII. Due to issues with land ownership and amendments to the project documentation of the South longitudinal, remaining undrawn portion of the loan was not sufficient to complete the project, so that the EBRD has approved an

additional loan of EUR 6,00 million. Total debt on this loan will amount to EUR 22,5 million, and the deadline for implementation of the project has been extended until 31.12.2018.

The project of construction of the University Library, funded through a grant by the Saudi Fund for Development. The Memorandum of Understanding between the Kingdom of Saudi Arabia and Bosnia and Herzegovina was signed on 10.05.2016. The collection of documents and arranging of the location is pending, in order to begin the implementation. The estimated value of the project is EUR 20,35 mil. The Saudi Fund participates with EUR 17,18 million and the budget of the Sarajevo Canton with EUR 3,16 million. The project is expected to be finished in 2018.

The project "Energy efficiency BiH" which is estimated to 1.175.700,00 BAM. Its implementation began on 01.08.2016. The project is being funded by a World Bank loan/ IDA, and the funds are intended to improve energy efficiency in buildings of public institutions under the jurisdiction of the Ministry of Education, Science and Youth of the Sarajevo Canton (Primary School "Zahid Baručija" - Vogošća, Primary School "Hašim Spahić" - Ilijaš and Primary School "Srednje" - Ilijaš). The total number of realized funds is 852.040,82 BAM while the remaining funds will be spent in the first quarter of 2017.

Project of acquisition of the system for artificial snow production and new vertical transportation on Bjelašnica valued 16.000.000,00 BAM funded by loans from domestic banks up to 10.000.000,00 BAM and 6.000.000,00 BAM from the Sarajevo Canton budget. The project is implemented by ZOI 84, and it is significantly important for the EYOF¹² in 2019. On 31.12.2016 total amount of spent funds was 6.502.450,50 BAM; 6 million from the Canton's Budget, while the rest was funded from loans. The implementation activities are expected to be continued in the first quarter of 2017, with the beginning of the construction season.

The project to increase the energy efficiency in residential buildings of the Sarajevo Canton valued to 7.638.288,00 BAM, which is in the implementation process. Total spent funds on 31.12.2016 was 4.556.202,00 KM. The realization is expected to be continued in 2017 and 2018.

¹² European Youth Olympics Festival

5.1.7. Indebtedness

Below is an overview of current debts as of 31.12.2016.

Table 12: Loans and credits

No.	CREDIT	TOTAL 30.06.2017.
1	MALAYSIAN CREDIT (USD) project for the reconstruction of the housing stock	672.828
2	WORLD BANK (USD), Sewers reconstruction	3.119.845
3	SAUDI FUND(USD), reconstruction of educational institutions	964.855
4	KUWAIT FUND (KWD), reconstruction of water supply system	2.053.806
5	WB-TAC – credit for gas	7.832.158
6	WB - (SDR), Project of urban development	2.199.506
7	MMF credit - Reprogram-III Stand by arrangement	4.449.290
8	WB-IBRD - (EUR) reconstruction of wastewater treatment plant	41.299.911
9	AUSTRIA - 2 HOSPITALS	6.190.135
10	MMF credit - IV Stand by arrangement	12.006.031
11	Development bank 2011. 5 mil BAM	1.150.607
12	Development bank 2012. 7 mil BAM	2.455.100
13	UNICREDIT BANK 2012 LOT 1, 6 mil BAM	3.188.092
14	UNICREDIT BANK 2012 LOT 2, 5 mil BAM	2.657.555
15	UNICREDIT BANK 2012, 8 mil BAM	4.844.578
16	HEATING PLANT - Refund based on IDA credit	1.731.940
17	EBRD, Roads constriction project (EUR)	31.198.626
18	Development bank 2014., 13.174.400 mil BAM	6.930.537
19	UNICREDIT BANK 2014., 8 mil BAM	4.836.182
20	INTESA SANPAOLO BANK 2014. 4 mil BAM	2.415.476
21	BBI BANK 6 mil BAM	3.841.075
22	UNICREDIT BANK, 2015., 10 mil BAM	8.945.381
23	RAIFFEISEN BANK 2015., 1 mil BAM	879.643
24	NOVA BANKA AD 2015. , 4 mil BAM	3.525.977
25	UNION BANKA 2015., 2 mil. BAM	1.788.571
26	SBERBANK BH 2015., 3 mil BAM	2.819.055
27	VAKUFSKA BANKA 2016. 1 mil BAM	1.076.019
28	UNICREDIT BANKA 2016. 2 mil BAM	2.201.132
29	INTESA SANPAOLO BANKA 2016. 7 mil BAM	7.524.268
30	WB-IDA, Project of energy efficacy 2016. 1.175.700 BAM	1.175.700
31	II BONDS EMISSION -(due date 02.06.2020.)	6.947.200
32	III BONDS EMISSION -(due date 29.06.2020.)	4.728.438
TOTAL:		187.649.517

5.1.8. Given guarantees

Given guarantees represent a credit obligation of the cantonal public enterprises, whose repayment is taken over by relevant ministries.

Table 13: Given guarantees

DESCRIPTION	Debt at the time of overtaking (BAM)	Debt with interest as of 30.06.2017. (BAM)
KJKP GRAS, Guarantee	23.596.624,19	2.437.580,18
IDA, for KJKP TOPLANE - guarantee	27.585.706,68	27.321.033,32
KJKP Sarajevagas	7.000.000,00	1.780.293,00
KJP ZOI 84	8.000.000,00	8.384.129,56
TOTAL	66.182.330,87	39.923.036,06

In accordance with the decisions of the Government and the Assembly of Sarajevo Canton to issue guarantees or take over the debt, the existing loans of KJKP "GRAS" in the amount of 23.596.624,19 KM was reprogrammed, with repayment period of 2013-2017. The payments are settled through the Ministry of Transport, so that, on 30.06.201. the remaining debt (recorded off the balance sheet) is 2.437.580,18 BAM.

In accordance with the Decision of the Assembly of Sarajevo Canton on granting guarantees of servicing debts of foreign loans IDA - World Bank, for the end user KJKP Toplane Sarajevo, an agreement on servicing of debts in the amount of 27.585.706,68 BAM, between the Sarajevo Canton and the Federation of Bosnia and Herzegovina, was signed on 28.08.2013. The obligations are recorded off the balance sheet and are paid through the Ministry of utility companies and infrastructure. After the payments and accrued foreign exchange differences, the total debt as of 30.06.2017. was 27.321.033,32BAM.

Based on the Decision of the Assembly of Sarajevo Canton and the Agreement on mutual obligations for the ensuring of funds for repayment of the loan intended to prevent the suspension of natural gas supplies to the Sarajevo Canton, KJP Sarajevagas takes a loan in the amount of 7.000.000,00 BAM, with the co-debtor KJKP Toplane Sarajevo. Credit obligations are settled through the Ministry of municipal economy and infrastructure and on 30.06.2017. it was 1.780.293,00 BAM.

Sarajevo Canton Assembly adopted the Program for the reconstruction of KJP "ZOI 84" Olympic Center Sarajevo Ltd. (The "Official Gazette of Sarajevo Canton", No. 51/13). To do so, a loan in the amount of 8.000.000,00 BAM is planned. Also, the Assembly of Sarajevo Canton issued a Decision on approval or KJP "ZOI 84" for registration of a mortgage on the office building for long-term loan. The debtor on this loan is ZOI 84 with co-payments in the amount of 552.000,00 BAM annually by the Ministry of Economy. The outstanding debt as of 30.06.2017. amounts to 8.384.129,56 BAM.

All obligations under the issued guarantees are serviced within the deadlines set out in the repayment schedules, because the Law on Execution of Budget defines these obligations as priority.

5.1.9. The number of days when business account were blocked

None of the Sarajevo Canton's accounts was ever blocked.

6. REPRESENTATIVES

Activities related to the emmission of bonds of the Sarajevo Canton, and based on the Decision on debiting of Canton Sarajevo by issuing bonds Canton (Official Gazette of Sarajevo Canton, No. 15/17), will be conducted by the Ministry of Finance of the Canton. Representatives of the issuer are: Prime Minister and Minister of finance of the Sarajevo Canton.

Prime Minister of the Sarajevo Canton is Konaković Elmedin, born 1974. in Sarajevo. He finished the Electrical Engineering High School and graduated on the Faculty of Sport and Physical Education, University of Sarajevo. Before becoming the prime minister, he was a councilor in the Municipal Council Center Sarajevo (2004-2008) and in the period 2010 to 2014 he was member of the Assembly of Sarajevo Canton. He was a member of the Committee for Sports at the Council of Europe (2004-2006), and Director of Basketball Club Bosna Sarajevo (2003-2008)

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Minister of finance of the Sarajevo Canton Halebić Jasmin, born 1974. godine. He is a doctor of economic sciences and associate professor at the Faculty of Economics of the University of Zenica in the field of economic theory and policy. Before taking over the Minister of Finance in Sarajevo Canton position, he was the dean of the Faculty of Economics of the University of Zenica. He is the author of several scientific and professional articles and the book entitled "The role and importance of economic institutions in the economic development of Bosnia and Herzegovina.

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7. STATEMENT ON INVESTING

The bond emmission, as a way of indebtedness, to raise the necessary funds, was selected after several analyses, carried out in the Ministry of Finance because of the possibility of achieving lower interest rates by getting onto debt on the securities market, compared to a long-term loan.

This bond emmission will finance a portion of capital projects valued to 13,075 million.

8. SIGNED STATEMENT BY THE ISSUER'S REPRESENTATIVES*

In our opinion and according to our knowledge and the information available, we declare that all information in this Prospectus represent a full and fair view of assets and liabilities, loss and profit, financial position and operations of the issuer, the rights contained in the securities to which they relate, and that the facts that might influence the completeness and truthfulness of this Prospectus have not been omitted.

Prime Minister of the Sarajevo Canton

Elmedin Konaković

Minister of finances

Prof. Dr. Jasmin Halebić

* This document represents the official translation of the prospectus of the fourth emmission of the Sarajevo Canton bonds approved by the Securities Commission of the FBiH, Approval No. 03/1-19-304/17 on 05.09.2017.