



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

## **P R O S P E C T U S**

### **Public offer for the fifth emission of bonds of the Sarajevo Canton**

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

**SEE** | INVESTMENT  
SOLUTIONS

Sarajevo, December 2018.

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. According to our belief and 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 12.94.000,00 BAM for a time period of (3) three 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 17.01.2019, Approval no. 03/1-19-348/18. 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 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 bonds<sup>1</sup>, 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 directly by the issuers - state governments. Another advantage of treasury bonds is a wide range of due dates which allow investors to organize their portfolios from which they can achieve financial goals in specific time periods. This enables the possibility to timely 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).

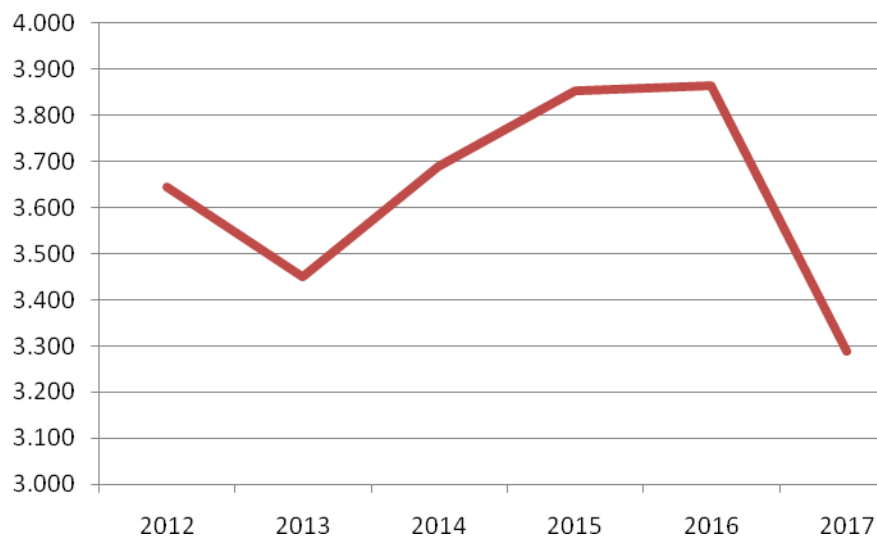
In the period from 2012 to 2017, the share of debt in GDP, on an annual basis in the Federation, was an average of 20,12%.

*Table 1. Basic fiscal indicators in th Federation of BiH, 2012.-2017.*

	<b>FBiH</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
1	GDP (mil BAM)	16.554	16.914	17.813	18.677	19.176	19.540
2	Total debt (mil KM)	3.645	3.448	3.688	3.854	3.864	3.288
3	External debt (mil KM)	2.775	2.652	2.800	2.826	2.819	2.394
4	Deficit (mil KM)		65,16	173,30	83,10	n.a.	n.a.
5	debt/GDP	22,02	20,39	20,71	20,63	20,15	16,82
6	deficit/GDP	n.a.	0,004	0,010	0,004	n.a.	n.a.
7	Annual amount of debt through bonds (mil BAM)	130,00	40,00	140,00	310,00	140,00	30,00

Source: Federal ministry of finance

<sup>1</sup> Serdarević, N. : "Neki specifični aspekti emisije obveznica nižih nivoa vlasti - međunarodna iskustva", Zenica University, 2017.



*Chart 1 – Total debt in FBiH, 2012.-2017. (mil BAM)*

In the Sarajevo Canton, the average share of debt in relation to GDP is around 2.62% per annum.

Neither the Federation of BiH nor the Sarajevo Canton are not excessively indebted. In the Federation, the debt/GDP ratio is around 20,12%, while the same ratio in the Sarajevo Canton is significantly lower, around 2,62%. The Sarajevo Canton is, when compared to the GDP, little indebted, and managing of 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](mailto:premijer@vlada.ks.gov.ba)  
web: [www.vlada.ks.gov.ba](http://www.vlada.ks.gov.ba)

**The activities related to the bond emission shall be performed by the Ministry of Finance of the Canton.<sup>2</sup>**

**ID number:** 4200666010004

### **The constitutional arrangement of the Sarajevo Canton<sup>3</sup>**

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 is 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 jurisdictions of the Sarajevo Canton are:**

- Establishing and control of police forces;
- Defining of education policies Establishing and control of cultural policies;
- Defining of housing policies, including regulations related to maintenance and construction of residential buildings;
- Regulation of public services;
- Adoption of regulations on the use of local land, including zoning;

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<sup>2</sup> Decision on indebtedness of Canton Sarajevo by issuing bonds of the Canton (Gazette of Sarajevo Canton 50/18)

<sup>3</sup> <http://vlada.ks.gov.ba/ustrojstvo>

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- Adoption of regulations on the improvement of the local business and charity 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 jurisdictions with the Federation of Bosnia and Herzegovina**

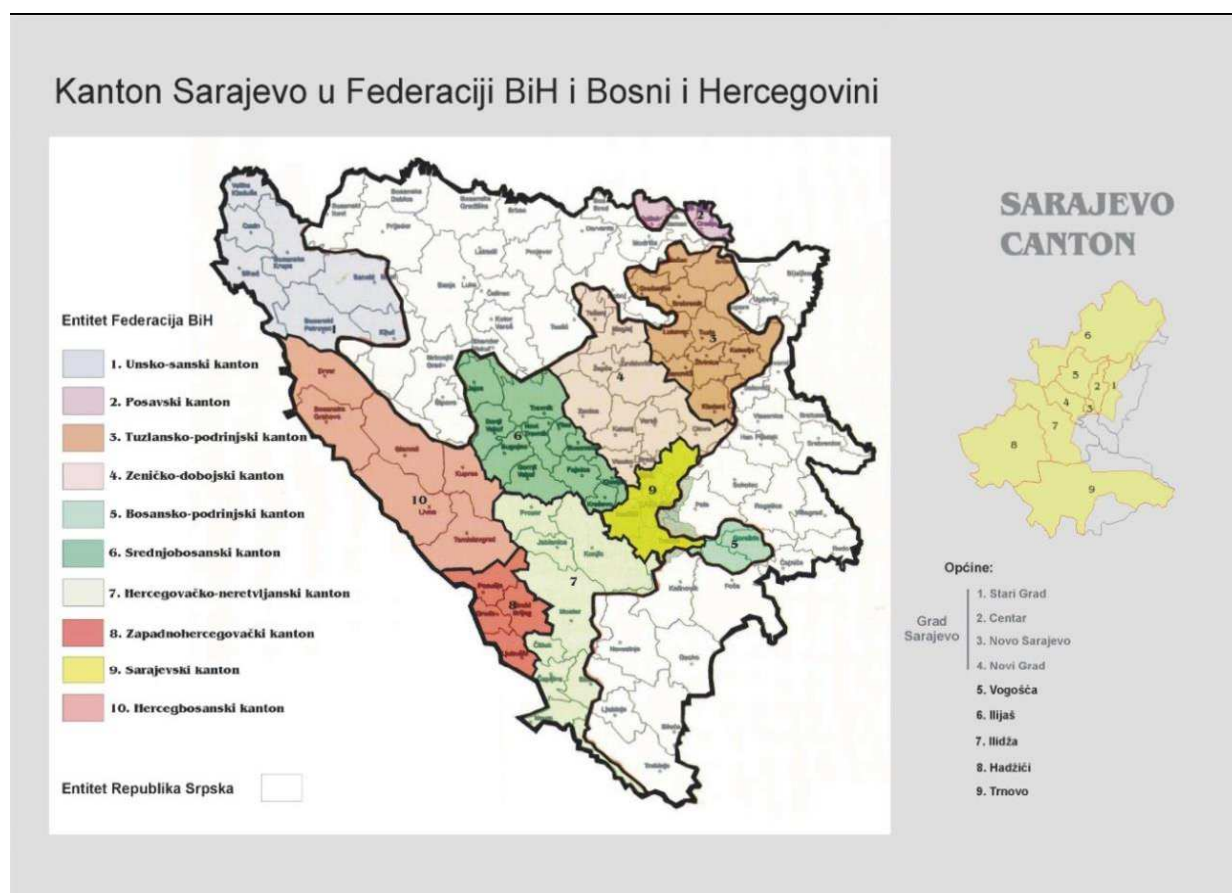
The Canton, together with the Federation of Bosnia and Herzegovina, alone or in coordination with the federal authorities, carries out the following competencies:

- 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 meets West, North meets 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 ensure the right to charge a nominal value of principal and interest in accordance with the Decision on bond emission to the rightful owner.

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 3 (three) years, provided that the payment of interest is done every six months, starting on the date of settlement. The payment of principal is shall be paid 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. 50/18) at the 155th meeting held on November 29th 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 at the same rank with all other present and future unsecured obligations of the Issuer.

The obligations of the Issuer, i.e. 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 doesn'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 12.940 (twelvethousninehundredforty) bonds, with a nominal value of 1.000,00 (onethousand) BAM, will be issued.

The total nominal value of the emission is 12.940.000,00 (twelvemilionsninehundredfortythousands) BAM.

### **2.6. Total value of past emissions**

The Sarajevo Canton issued 6,400 (sixthousandfourhundred) bonds with a maturity of three (3) years, 4,356 (fouthousandthreehundredfiftysix) bonds with a maturity of three (3) and 8.050 (eighthousandsfifty) bonds with a maturity of five (5) years so far.

## 2.7. Yield on bonds

The bonds will have 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:

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

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 paid 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 professional agents - 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, February 26th 2019 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 broker, 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 not later than 12:00.

#### **2.10. Emission success**

The emission will be considered as successful if 60% of the offered bonds is sold. The Commission shall make the 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 the emission registration into the Registry of issuers and the payment of the principal will be done as an one-time payment on the maturity date.

The payment of interest and principal will be done on the due dates. 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: 3 (three) years from the date of registration of bonds in the Registry of Issuers with 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**

The 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 2018, a total amount of 19.794.400,00 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 12.940.000,00 BAM.

Capital projects to be financed with these funds are set out in Article 6 of the Sarajevo Canton Budget for 2018, as follows:

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

MINISTRY	PROJECT	AMOUNT
MINISTRY OF TRANSPORT	- Construction and resolving property issues on the primary city roads	8.240.000,00 BAM
	- construction of tram stations for controlled collection and introduction of ITS	3.500.000,00 BAM
MINISTRY OF SPACE DEVELOPMENT AND ENVIRONMENTAL PROTECTION	-Pre-investment in the resolution of property-legal relations and the construction of primary material infrastructure for the initiation of collective and individual housing construction in accordance with the adopted space-planning documentation in the Sarajevo Canton area	1.200.000,00 BAM
<b>TOTAL</b>		<b>12.940.000,00 BAM</b>

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

Registration of the issued bonds to the account of buyers is done by the Registry of Securities in FBiH after registration of bonds into the Register of Issuers of the Securities Commission of FBiH.

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 the accrued interest.

The payment of the purchased 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**  
Address: Obala Kulina bana 25, 71 000 Sarajevo  
Phone: +387 33 275 650  
Fax: +387 33 275 651  
E-mail: [info@seeinvestments.ba](mailto:info@seeinvestments.ba)  
Web: [www.seeinvesments.ba](http://www.seeinvesments.ba)

### **3.2. Depository bank**

Depository bank: **UniCredit bank d.d. Mostar**  
Address: Kardinala Stepinca bb, 88000 Mostar  
Phone: +387 33 491 777  
E-mail: [custody@unicreditgroup.ba](mailto:custody@unicreditgroup.ba)  
Web: [www.unicredit.ba](http://www.unicredit.ba)

### **3.3. Payment agent**

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

## **4. INVESTMENT RISK AND RISK CAUSE**

### **4.1. Basic information about risk**

The investment risk is the degree of uncertainty of the return on investment, or the probability that the return on investment is unsatisfactory or negative. 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 is depends on 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 rates, price level etc. 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 March 13th 2018 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 2018, Moody's Investors Service confirmed Bosnia and Herzegovina's sovereign credit rating " B3 with stable outlook "<sup>4</sup>. 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's bonds 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 current investment-credit rating of Bosnia and Herzegovina and to its reduction, which would result in a decrease of prices of all debt securities. On the other hand, favorable macroeconomic factors could lead to a higher credit rating, which would result in increase of securities' price.

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<sup>4</sup> Source: The Central bank of BiH, [www.cbbh.ba](http://www.cbbh.ba)

#### **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 movement 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 FBiH.

#### **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 BAM = 0.51129 EUR and 1 EUR = 1.95583 BAM) which means the issue of the local currency with full coverage in freely convertible foreign currency at a fixed rate (1 BAM = 0.51129 EUR and 1 EUR = 1.95583 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 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.



Report on the Financial Audit of the Sarajevo Canton Budget for 2017, compiled by the Audit Office of the Institutions in the FBiH, expresses the opinion with Reserve.<sup>5</sup>

#### **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 policies 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 2016, 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 the 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 three emissions 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 three successful emission 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

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<sup>5</sup> Financial Audit Report of Sarajevo Canton for 2017 (<https://mf.ks.gov.ba/budget/konacni-izvjestaj-o-izvrstenoj-reviziji-finansijskih-izvjestaja-budzeta-kantona-sarajevo-za-0>)

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 4.35 million KM for financing of capital projects planned in the Budget of Sarajevo Canton for 2017, were ensured.

The third emission of Canton Sarajevo saw 8.050 bonds sold at an average interest rate of 3.30%. The maturity date for those bonds is 28.09.2022.

This ensured the collection of 8.05 million BAM for funding of capital projects planned in the 2017 Canton Sarajevo Budget .

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 the Canton, on the one hand, and favorable conditions of the emission (repayment period of three and five years, with no grace period, foreign currency clause), on the other hand.

In general, the limiting factor for the public emissions 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 banks<sup>6</sup>.

#### **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,

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<sup>6</sup> 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 2018, amounted to 11.83 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 55.4% (<http://cbbh.ba/press/ShowNews/1193>)

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4. significant stop of activities as a result of court orders, prohibitions or similar orders which are received by third parties,
5. collective labor disputes, strikes or demonstrations.

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 CANTON <sup>7</sup>**

### **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).

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 changing importance of individual routes, 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 traffic 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 for tourist stay throughout the year. Natural conditions offer a wide spectar of possibilities for summer and winter

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<sup>7</sup> 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 (Official Gazette of the Sarajevo Canton, no. 41/16)

recreation on the mountains Bjelasnica, Igman etc. They also possess rich hunting areas, caves, cliffs, canyons, waterfalls and lakes. Mountains of Sarajevo represent 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.

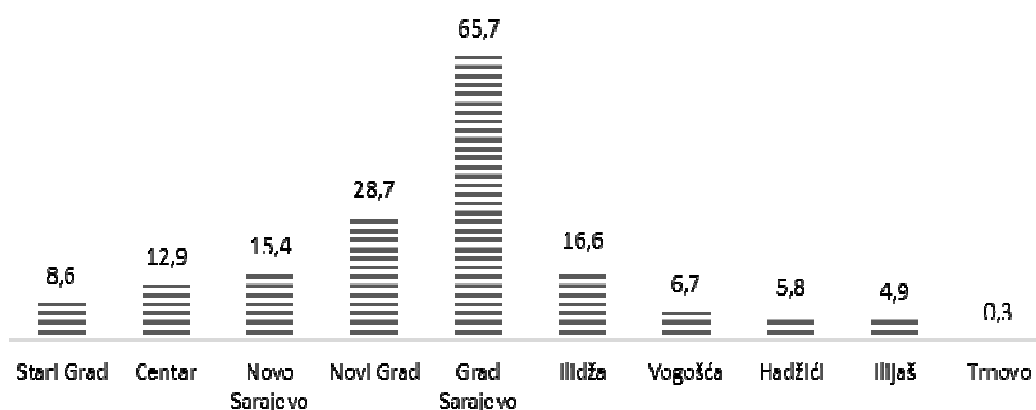
Drinking, mineral, thermal and thermo-mineral waters are the most important natural resources of the Sarajevo Canton and they are the basis for the development of a series of activities in line with the preferences of sustainable development.

**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-2017 was 418,542, of which 275,043 were residents in the area of the city of Sarajevo. The highest population share 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, 1,318 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<sup>2</sup>) and the smallest municipality is Novo Sarajevo (9.9 km<sup>2</sup>).

The most populated municipality is Novo Sarajevo, with an average population density of 6.520,0 inhabitants per km<sup>2</sup>, which is 19.9 times more than the average population density of the Canton (327.7 inhabitants per km<sup>2</sup>). The least populated municipality is Trnovo with a population density of 3.9 inhabitants per km<sup>2</sup>. Higher population density compared to the average population density of the Sarajevo Canton is registered in the municipalities of Novi Grad, Centar, Stari Grad, Ilidža and Vogošća.

In 2017, in the Sarajevo Canton, 15.5% of the population was aged under 14 years, 15.7% of the population was over 65 years and working contingent population group of 15-64 years of age makes 68.8% of total population.

In 2017 the highest percentage of young population (up to 14 years of age) was registered in the municipality of Ilijaš (17.2%), while the municipality of Trnovo had the lowest percentage of 11.7%. Older groups of inhabitants (over 65 years of age) have its highest percentage in the municipality of Trnovo (31.0%) and its lowest share in the municipality of Vogošća, around 11.5%.

Different dynamics of young and old population cause changes in the participation of these age groups in the total population in Sarajevo Canton. Between 2016 and 2017, the percentage of young people decreased from 18.2% to 15.5%, while the share of the older people over 65 years increased from 11.6% to 15.7%.

In 2017, the Sarajevo Canton registered 4,777 newborn inhabitants, while the birth rate stood at 11,6 ‰, which is an increase compared to the previous year.

In 2017 a total of 4,285 people died in the Sarajevo Canton so the mortality rate is 10,3 ‰, so it remained at the same level compared to the previous year.

**Rate of natural increase** in Sarajevo Canton in 2017 was 1.2 ‰, just like it was in the previous year.

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

The Sarajevo Canton, with its area of 1,277.3 km<sup>2</sup>, 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-2017 the total number of inhabitants in the Sarajevo Canton was 418,542, which makes around 19% of the total population in the Federation of BiH.

Sarajevo Canton, with an average population density of 327.7 inhabitants per km<sup>2</sup>, is approximately 3,9 times above the average density of the Federation of Bosnia and Herzegovina and its the most populated canton.

All parameters of the vital statistics of Canton were higher compared to the parameters of the FBiH: the birth rate 2.7 ‰, 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 -0.8‰.

By the end of 2017 a total of 131,172 employed persons were registered, which is the highest concentration (26.0%) of jobs in the FBiH. The level of employment of the population is 31.3%, which is about 36.6% higher than in Federation of BiH.

In the same period, in the Sarajevo Canton 66,325 inhabitants were unemployed, which is about 18.9 % of the total number of unemployed in the Federation of Bosnia and Herzegovina. The registered unemployment rate in the Sarajevo Canton was 33.6% which is by 25% lower than in the Federation.

The Sarajevo Canton gained a total of 6.6 billion BAM of GDP in 2017, which is around 32.5% of the total GDP in the Federation of Bosnia and Herzegovina. The average GDP per inhabitant is 15,974 BAM, and according to this development indicator, it is 1.7 times better than the average in the Federation.

In the Sarajevo Canton, 33.8% of total of investments in FBiH were achieved.

The total number registered business subjects in the Canton was 28,636 which makes 27.0% of total business subjects in the Federation.

482,494 tourists visited the Sarajevo Canton in 2016, which represents 50.9% of the total number of tourists who visited the Federation.

During 2017, the Sarajevo Canton recorded a total import value of about 4.4 billion BAM, or 35.4% of total import in the Federation. During the same period, total exports of goods and services from the Sarajevo Canton was over 1.5 billion, or 20.9% of total exports in FBiH. The export-import ratio in the Canton was 34.5%, and is significantly less than it was achieved in FBiH.

At the beginning of 2017/2018 school year, the Canton had 37,077 students of primary education, which is 20.0% of the total number of students of primary education in FBiH. Secondary schools were attended by 15,930 students, which is 19.5% of total secondary students in FBiH. The Sarajevo Canton had 28,775 university students which is 44.3% of total university students in FBiH.

In 2017 the Sarajevo Canton had 1,350 medics which is 28.1% of the total medics in the Federation. The number of dentists in the canton was 257 (42.5% 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% compared to the total in FBiH, which indicates to the economic vitality of the Canton.

*Table 3. Main indicators of the Sarajevo Canton and the Federation of BiH 2017.*

Main indicators	Sarajevo Canton	Federation of BiH	Sarajevo Canton - FBiH ratio
Area	1.277,30	26.109,70	4,9
Population density / km2	327,7	84,3	3,9
Total population (mid year)	418.542	2.201.193	19,0
<15	63.260	356.948	17,7
15-65	288.056	1.550.130	18,6
>65	57.776	285.946	20,2
Birth rate (per 1.000 inhabitants)	11,4	8,7	1,4
Death rate (per 1.000 inhabitants)	10,2	9,5	1,1
Rate of natural increase (per 1.000 inhabitants)	1,1	-0,8	-1,4
Employed (XII)	131.172	505.201	26,0
Unemployed	66.623	350.217	18,9
Working force	197.497	855.418	23,1
Employment level of total population(%)	31,3	22,9	1,4
Employment level of working force (%)	45,5	32,5	1,4
Unemployment level of working force(%)	33,6	59,0	56,9
Average net salary in BAM (XII)	1.102	860	1,3
GDP (in 000 BAM)	6.692.676	20.569.641	32,5
GPD per capita, BDP/pc in BAM	15.974	9.346	1,7
Tax income per capita in BAM	292	163	1,8
Registered business subjects	28.636	105.961	27,0
Investments (in 000 BAM, 2016)	850.716	2.516.651	33,8
Physical volume production index (2017/2016)	108,1	111,6	96,9
Processing industry index (2017/2016)	109,2	104,6	1,0
Tourists	482.494	948.763	50,9
Overnight stays	967.372	1.860.346	52,0
Export (000 BAM)	1.518.519	7.254.541	20,9
Import (000 BAM)	4.402.546	12.435.049	35,4
Foreign trade (000 BAM)	5.921.065	19.689.590	30,1
Export/import rate (%)	34,5	58,3	59,2
Export/import rate (%)	36.490	188.430	19,4
Elementary school students (school year 2017/2018)	37.077	185.032	20,0
Secondary school students(school year 2017/2018)	15.930	81.470	19,5
University students (school year 2017/2018.)	28.755	64.902	44,3
Medics	1.350	4.810	28,1
Dentists	257	604	42,5
Senior citizens	86.839	346.538	24,9

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 accordingly, 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 2017.

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	17,4	55,5	116	63	-21,5	57,7	72,0	95,9	62,7	93,3	76,3	8
Posavina	19,7	45,1	81	60	-33,2	65,3	95,9	66,9	59,9	35,7	64,8	9
Tuzla	27,3	50,4	122	71	-10,8	90,6	83,8	100,9	70,9	146,3	98,5	4
Zenica-Doboj	29,3	46,0	132	90	-24,9	97,0	93,8	109,1	90,0	76,8	93,3	6
Bosnian Podrinje	42,5	32,9	122	126	-43,6	140,8	124,0	100,7	126,0	-15,9	95,1	5
Central Bosnia	25,2	45,2	124	63	-25,8	83,6	95,8	102,1	63,4	72,2	83,4	7
Hercegovina- Neretva	32,2	40,0	116	133	-18,4	106,6	107,8	95,7	132,7	109,1	110,4	3
West Herzegovina	28,4	38,2	122	103	5,3	94,0	112,0	101,0	102,5	226,2	127,1	2
Sarajevo	45,4	33,9	126	179	-15,2	150,7	121,0	104,4	179,2	124,9	136,2	1
Canton 10	16,6	47,2	81	54	-29,9	55,0	91,0	66,6	53,8	52,2	63,7	10
Federation of BiH	30,2	43,3	121	100	-20,2	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 2017

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

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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
- The new Law on spatial planning and construction was approved and adopted: Official Gazette of the Sarajevo Canton no.: 24/17

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. The tax for establishing and founding of new companies, i.e. registration in the Court register has been reduced from 200,00 to 35,00 BAM.

In the near future, the Canton has a plan to establish an Agency to attract investment and privatization.

### ***Debt and deficit of the Sarajevo Canton***

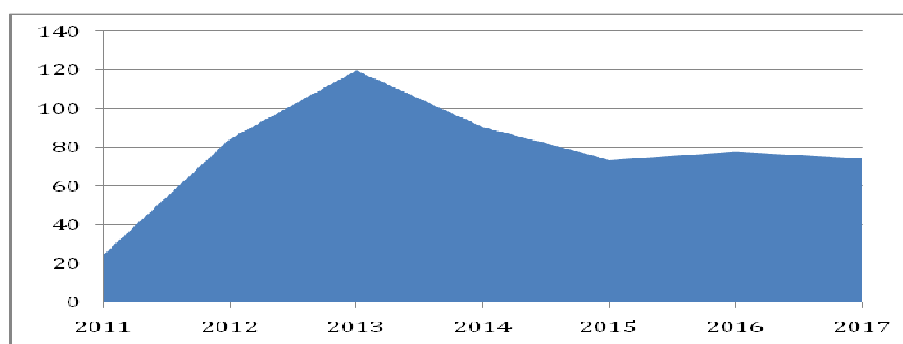
The average rate of growth of the debt in the Sarajevo Canton, for the period between 2011 and 2017 is 8,47%. However, compared to the GDP, the debt of the Canton is not worrisome, because the Canton, unlike the Federation (20,12%), recorded a relatively low level of total debt in relation to GDP. During the period (as referred to in Table 5) it is visible that the average share of debt, compared to the GDP, is around 2,62% per annum.

*Table 5. Basic fiscal indicators for the Sarajevo Canton, 2011.-2017.*

	<b>Sarajevo Canton</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
1	GDP (mil BAM)	5.769,98	5.922,49	6.077,79	6.084,77	6.248,26	n.a.	6.692,67
2	Total debt (mil BAM)	117,92	142,69	135,51	190,47	201,97	195,82	178,80
3	debt/GDP	2,04	2,41	2,23	3,13	3,23	n.a.	2,67
4	Deficit (mil BAM)	24,88	84,42	119,60	90,52	73,59	77,61	74,36
5	The deficit rate of change (%)		239,28	41,67	-24,31	-18,70	5,46	-4,19
6	The debt rate changes (%)		21,01	-5,03	40,56	6,04	-3,04	-8,69

*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. In 2017 it was decreased by 3 million BAM. A sufficient of the Sarajevo Canton sufficient is planned.



*Chart 3. Changes 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 integrated. As of 01.01.2018 all other budget users have closed the earlier transaction accounts, which existed outside the Single Treasury Account (excluding the public institution Cantonal centre for social work).

***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 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 profitable, 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 the reduction 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 regularly 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.
- The Government will apply a more favorable model of loans and credits through bond emissions, which should reduce loan costs.
- The colleges and other educational institutions are to be included into the budget

### ***The Sarajevo Canton budget for 2018***

The Sarajevo Canton Assembly adopted the budget of the Sarajevo Canton for 2018 at its session held on 20.12.2017. and made amendments and adjustments on 25.06.2018. The budget amounts 851.680.835 BAM<sup>8</sup>.

Table 6: The Canton's budget 2017.

<b>1.</b>	<b>REVENUES (1.1.+1.2.+1.3.+1.4.+1.5.)</b>	<b>811.076.140</b>
1.1.	REVENUES FROM TAXES (1.1.1. do 1.1.7.)	671.283.703
1.1.1.	Profit tax for individuals and companies	120.246.185
1.1.2.	Taxes on payroll and workforce	375.000
1.1.3.	Property tax	10.550.000
1.1.4.	Domestic taxes on goods and services (remaining taxes)	96.500
1.1.5.	Revenues from personal income tax	135.519.930
1.1.6.	Revenues from indirect taxes	404.422.888
1.1.7.	Other taxes (remaining)	73.200
1.2.	NON-TAX REVENUES	118.277.565
1.3.	CURRENT TRANSFERS AND DONATIONS	15.907.877
1.4.	CAPITAL TRANSFERS	5.246.895
1.5.	REVENUES FROM REMAINING LIABILITIES	360.100
<b>2.</b>	<b>EXPENDITURES (2.1.+2.2.)</b>	<b>731.013.639</b>
2.1.	EXPENDITURES	607.057.727
2.2.	CAPITAL TRANSFERS AND EXPENSES	118.808.312
2.3.	INTEREST RATE EXPENSES	5.147.600
<b>3.</b>	<b>CURRENT ACCOUNT (1.-2.)</b>	<b>80.062.501</b>
<b>4.</b>	<b>REVENUE FROM NON-FINANCIAL ASSETS 811000</b>	<b>2.086.590</b>
<b>5.</b>	<b>COSTS OF ACQUISITION OF NON-FINANCIAL ASSETS 821000</b>	<b>74.835.196</b>
<b>6.</b>	<b>NET ACQUISITION OF NON-FINANCIAL ASSETS (4.-5.)</b>	<b>-72.748.606</b>
<b>7.</b>	<b>TOTAL SURPLUS (3.+6.)</b>	<b>7.313.895</b>
<b>8.</b>	<b>REVENUES FROM FINANCIAL ASSETS AND BORROWING</b>	<b>38.518.105</b>
8.1.	REVENUES FROM FINANCIAL ASSETS	3.488.700
8.2.	REVENUES FROM DOMESTIC BORROWING FOR CAPITAL PROJECTS	35.029.405
<b>9.</b>	<b>EXPENDITURE FOR FINANCIAL ASSETS AND DEBT PAYOFF</b>	<b>40.832.000</b>
9.1.	FINANCIAL ASSETS EXPENDITURES	3.410.000
9.2.	DEBT PAYOFF EXPENDITURES	37.422.000
<b>10.</b>	<b>NET FINANCING (8.-9.)</b>	<b>-2.313.895</b>
<b>11.</b>	<b>OVERALL FINANCIAL RESULTS (7.+10.)</b>	<b>5.000.000</b>
<b>12.</b>	<b>ASSETS FROM ARTICLE 11. WILL BE USED TO COVER A PART OF THE ACCUMULATED DEFICIT FROM 31.12.2016</b>	<b>5.000.000</b>
<b>TOTAL REVENUE, INCOME AND FINANCING (1.+4.+8.)</b>		<b>851.680.835</b>
<b>TOTAL COSTS, EXPENDITURES AND DEFICIT SETTLEMENT (2.+5.+9.+12.)</b>		<b>851.680.835</b>

Below is a comparative view of the Sarajevo Canton Budget for 2018 and budget projections for 2019 and 2020.

<sup>8</sup> "Official Gazette of Sarajevo Canton", No. 51/17 and 28/18

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

	Canton's budget 2018	Projection of Canton's budget for 2019	Projection of Canton's budget for 2020
<b>A. REVENUES</b>	<b>811.076.140</b>	<b>747.275.000</b>	<b>751.314.600</b>
<b>TAX REVENUES</b>	<b>671.643803</b>	<b>657.354.900</b>	<b>661.194.400</b>
Profit tax for individuals and companies	120.246.185	112.619.000	114.400.900
Taxes on payroll and workforce	375.000	365.000	350.000
Property tax	10.550.000	9.905.000	9.995.000
Domestic taxes on goods and services (remaining taxes)	96.500	82.800	69.600
Revenues from personal income tax	135.519.930	131.635.400	133.740.400
Revenues from indirect taxes	404.422.888	402.428.700	402.428.700
Other taxes	73.200	63.900	58.700
Remaining liabilities revenues	360.100	255.100	151.100
<b>NON-TAX REVENUES</b>	<b>118.277.565</b>	<b>74.270.100</b>	<b>74.470.200</b>
Income from entrepreneurial activity and property	2.733.631	2.402.800	2.498.400
Charges and fees, income from public activities	106.513.434	63.336.800	63.441.300
Fines	9.030.500	8.530.500	8.530.500
<b>CURRENT CAPITAL TRANSFERS AND DONATIONS</b>	<b>21.154.772</b>	<b>15.650.000</b>	<b>15.650.000</b>
<b>B. CAPITAL REVENUE</b>	<b>2.086.590</b>	<b>820.000</b>	<b>820.000</b>
<b>C. FINANCING</b>	<b>38.496.475</b>	<b>3.361.200</b>	<b>4.166.000</b>
Revenues from received repayments	3.488.700	3.361.200	4.166.000
Revenues from direct borrowing	35.007.775		
<b>D. SURPLUS OF UNSPENT FUNDS FROM DIRECT BORROWINGS FROM THE PREVIOUS YEAR (domestic loans and ESCROW account)</b>	21.630		
<b>TOTAL (A+B+C+D)</b>	<b>851.680.835</b>	<b>751.456.200</b>	<b>756.300.600</b>

The analysis of planned revenues for 2019 and 2020 reveals a more favorable position of the Sarajevo Canton in the next two years.



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

	Canton's budget 2018	Projection of Canton's budget for 2019	Projection of Canton's budget for 2020
Salaries and expenses for employees	267.240.929	259.529.207	259.529.207
Salary taxes	27.147.182	26.279.438	26.279.438
Expenses for materials and services	62.126.739	57.111.650	57.111.650
<b>TOTAL CURRENT EXPENSES</b>	<b>356.514.850</b>	<b>342.920.295</b>	<b>342.920.295</b>
<b>CURRENT TRANSFERS</b>	<b>249.277.877</b>	<b>241.952.950</b>	<b>241.667.950</b>
<b>CREDIT AND LOAN EXPENSES</b>	<b>5.147.600</b>	<b>3.836.400</b>	<b>3.041.200</b>
<b>CAPITAL TRANSFERS AND EXPENSES</b>	<b>193.643.508</b>	<b>113.821.500</b>	<b>118.142.500</b>
Capital transfers	118.808.312	78.578.500	80.887.500
Expenses for the purchase of fixed assets	74.835.196	35.243.000	37.255.000
<b>FUNDS FOR LOANS</b>	<b>3.410.000</b>	<b>2.520.000</b>	<b>2.520.000</b>
<b>DEBT REPAYMENT</b>	<b>37.422.000</b>	<b>28.770.800</b>	<b>27.418.300</b>
<b>ACCUMULATED DEFICIT FROM PAST YEARS</b>	<b>5.000.000</b>	<b>7.144.255</b>	<b>10.100.355</b>
<b>CURRENT CANTON'S RESERVE</b>	<b>1.265.000</b>	<b>10.490.000</b>	<b>10.490.000</b>
<b>TOTAL</b>	<b>851.680.835</b>	<b>751.456.200</b>	<b>756.300.600</b>

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 30.09.2018***

In the budget of the Sarajevo Canton for 2018, on the basis of revenues, receipts and financing, a total of 853.045.858 BAM was planned and during the first quarter of 2018, and after the completion of the final calculation for the year 2017, 68.753.447 KM were allocated for the intended revenues, donations and transfers of budget users and receipts during 2017 and previous years. That amount is an integral part of the Amendment to the budget of the Sarajevo Canton for 2018. Also, an integral part of the Amendment to the Sarajevo Canton Budget are intangible revenues, donations and transfers during the first half of 2018 in accordance with the legal provisions of the Law on Execution of the Sarajevo Canton Budget for 2018.

For the period 01.01. - 30.09.2018, the realization of the Sarajevo Canton Budget is 72,73% of the planned funds or 621.736.761 BAM, which is 0,39% more than in the same period of 2017. 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 530.515.638 BAM, which is 78,99% of the total of planned revenues and it is by 9,94% more than in the first nine months of 2017.

Table 9: Revenues as of 30.09.2018.

REVENUES	01.01.-30.09.2018. (BAM)	% of the total revenues
REVENUES	617.037.999	99,24%
CAPITAL REVENUES	425.146	0,07%
FINANCING	4.273.616	0,69%
TOTAL REVENUES	621.736.761	100,00%
SURPLUS OF UNSPENT FUNDS FROM PREVIOUS YEARS		
<b>TOTAL</b>	<b>621.736.761</b>	

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

- Corporate income tax was realized in the amount of 101.002.888 BAM, which is an increase by 11.934.675 BAM or 13,40% compared to the previous year;
- Domestic taxes on goods and services (arrears) were realized in the amount of 206.868 BAM and were by 179.331 BAM higher than last year
- Wages tax amounted to 104.174.444 BAM which is an increase by 10,35% higher or 9.771.266 compared to the same period in 2017;
- The indirect taxes of Canton Sarajevo for the first nine months were 315.791.280 BAM or 78,08% of the plan for 2018, and compared to the previous year they increased by 8,89%.

1. Tax revenues were 530.515.638 KM, which is 78,99% of the planned Sarajevo Canton Budget as stated in the Amendments to the Budget of the Sarajevo Canton for 2018. Compared to the last year, it is an increase of 9,94%.

Tax revenues are:

- Income from indirect taxes, as the most significant item, with a share of 59,53% in total planned revenues from indirect taxes, amounted to 315.791.280 BAM, are referring to:
  - Income from indirect taxes belonging to the Canton in the amount of 304.124.613 BAM, which is by 7,72% more than in the previous year;
  - Dedicated indirect taxes from the Directorate for Roads in the amount of 9.436.801 BAM, which is 22,86% more than last year.
  - Income from indirect taxes from financing of motorways and other roads in FBiH, realized in the amount of 2.229.866 BAM

- Wage taxes were 104.174.444 BAM or 76.87% of the planned amount in the canton's budget and they increased by 10,35% compared to the last year. The largest share in the mentioned revenues is income from personal income tax from non-self-employed activities in the amount of 80.769.449 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 calculation.

- Income tax for individuals and enterprises was 101.061.584 BAM which makes 84,05% of the planned income tax revenue in the budget. It increased by 13,34% compared to 2017. It is important to note that the corporate income tax is 101.002.888 or 84,11% of the planned revenues, which is by 13,40% more compared to the last year. Income tax for individuals is 58.696 BAM which is 36,69% of the planned amount and it decreased by 39,52% compared to 2016.

- The property tax, in the first nine months of 2018, was 8.813.138 BAM and compared to 2017. it is an increase of 5,43%.

2. Non-tax revenues (revenues from entrepreneurial activities and assets, fees and taxes, income from own activities and unplanned payments and fines) were 67.645.920 BAM i.e. 57,16% of the planned amount in the 2018 budget of the Sarajevo Canton and they decreased by 23.180.375 BAM compared to 2017.

Separately, it looks as follows:

- revenues from entrepreneurial activities and assets 1.160.232 BAM; 42,44% of the planned revenues and an increase by 4,08% compared to the last year;

- fees and taxes, income from own activities and unplanned payments were 60.686.630 BAM; in 2017. they were 83.712.679 BAM. The reason for the much higher amount realized last year relates to the non-execution of the allocated funds of the Institute for the Construction of Canton Sarajevo in the amount of 22,672,606 KM allocated in position 722429 - Other cantonal fees;

- Collected fines were 5.799.057 BAM or 64,22% of the planned amount, The last year's collected fines in the first nine months were 5.998.823 BAM.

3. Collected transfers and donations were 13.031.525 BAM i.e. 78,64% of the planned amount. This budget item decreased by 2,72% compared to 2017. when they amounted to 13.395.695 BAM. Within this position, the current transfers received from other levels of government make the largest portion of this budget item: 12.197.954 BAM or 77,14% of the plan in the Sarajevo Canton Budget for 2017. Nevertheless, it

decreased by 4,20% compared to 2017. Donations of the budget users were 426.429 BAM, and compared to 2017 (382.288 BAM), they increased by 11,55%. Capital transfers amounted to 5.333.366 BAM which is an increase by 3.614.980 BAM compared to the last year.

4. Capital receipts amounted to 425.146 BAM, which is only 20,38% of realization in relation to the plan and it is 37,28% less compared to the previous year. 350.060 BAM refers to receipts from the sale of commodity reserves.

5. Observing the Financing Account, Receipts from received repayments were realized in the amount of 3.019.908 BAM or 86,56% in relation to the plan for 2018. This is an increase by 23,50% compared to the previous year when it amounted to 2.445.332 BAM. Long-term loans and borrowings are characterized by an extremely low achievement amounting to 1.253.708 BAM and refer to realized grants for capital projects from planned and realized credit indebtedness in previous years.

The largest decrease compared to the previous year was recorded by the items Charges and taxes, income from own activities and non-planned payments, which were 60.686.630 BAM and they decreased by 23.026.049 compared to 2017. The non-spending of the budgeted and planned revenues of the Institute for Construction of Canton Sarajevo registered at the economic code 722429 (other cantonal fees) influences the significantly less realization of the group of non-tax revenues in relation to the plan, since in accordance with the recommendations of the audit, deferred income is recorded as realized only after its spending. We note that funds in the amount of 25.835.771 BAM were transferred to the Deposit Account of Canton Sarajevo in January 2017 on the basis of closing the account of the Institute for Construction of the Sarajevo Canton which were not an integral part of the single account of the Sarajevo Canton Treasury and which significantly increased the unplanned income in 2017. Current transfers and donations by budget users were 13.031.525 BAM which is a decrease by 364.170 BAM or 2,72% compared to 2017.

In the period of 01.01. - 30.09.2018 expenditures were 504.142.393 BAM, i.e. 59,10% of the planned amount in the budget of the Sarajevo Canton.

Wages and wage taxes increased by 3,44%, expenditures for the purchase of fixed assets increased by 84,20%, current transfers increased by 11,65% and expenditures for materials and services was increased by 10,77%. Expenditure decrease occurred at the positions of expenditures for loans by 17,04%, capital transfers 7,42% and debt repayments (-7,48) compared to the first three quarters of 2017.

Table 10: Expenditure as of 30.09.2018.

Konto	Expenses	Realisation 01.01.- 30.09.2018	(%)
611000	Employees wages and costs	199.417.487	39,56%
612100	Taxes of employers and other taxes	20.152.003	4,00%
613000	Material and services expenses	34.959.933	6,93%
614000	Current transfers	175.737.041	34,86%
616000	Loan liabilities expenses	2.940.532	0,58%
615000	Capital transfers	23.426.277	4,65%
821000	Fixed assets expenses	18.761.862	3,72%
822000	Funds for loans	750.000	0,15%
823000	Debt repayments	27.997.258	5,55%
600000	Current reserve	0,0	0,00%
	Accumulated deficit from previous years	0,0	0,00%
	<b>TOTAL</b>	<b>504.142.393</b>	<b>100,00%</b>

In the period of 01.01. - 30.09.2018. current transfers were 175.737.041 BAM i.e. 69,34% of the planned amount in the Budget of the Sarajevo Canton for 2018. In comparison to the same period of the previous year it is an increase of 11,65%.

Capital expenditures (expenditures for procurement of fixed assets and capital transfers) in the observed period were executed in the amount of 42.188.139 KM or 21,84%, compared to the plan of the Sarajevo Canton Budget for 2018.

Within the budget of Sarajevo Canton for 2018, expenditures for procurement of fixed assets were planned in the amount of 76.647.925 BAM and in the reporting period they were executed in the amount of 18.761.862 KM or 24,48% of the planned expenditures for the purchase of fixed assets in the Budget of the Sarajevo Canton for 2018. It is an increase of 84,20% compared to the last year.

The planned capital transfers in the budget of the Sarajevo Canton are 116.485.712 BAM. During the first nine months 2018 the amount of realised capital transfers was 23.426.277 BAM which is 20,11% of the planned amount. If we observe this execution in the same period of the last year, a decrease of 7,42% in execution was registered.

The Sarajevo Canton Budget planned a total of 3.360.000 BAM for purposes of loans. A total of 750.000 BAM or 22,32% of the total planned amount was realised as of 30.09.2018.

The amount of planned expenditures for repayment of loans into the Sarajevo Canton budget for 2018 is 37.442.000 BAM. The total amount of repayments realised from 01.01.-30.09.2018. was 27.997.258,14 BAM or 74,81% of the funds planned in the

Budget. This is minor decrease in comparison to the same period of the last year, because at the end of last year, one foreign loan was repaid, whose annual installment was higher than the installment of reprogrammed loans whose repayment started in this 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 2019-2021 (PJI), which contains all information about a total of 164 projects. 101 of them are nominated projects, and 63 projects are in the implementation process.

The total value of all projects is 1.002.365.776 BAM. The value of 101 nominated projects is 352.928.542 BAM.

The total number of projects in the implementation process is the 63 and their value is estimated to 749.437.234 BAM. The Sarajevo Canton participates with 354.761.956 BAM or 47,34% in the funding of those projects and the share of other sources of financing is 52,66%.

The total realized amount of the projects in the implementation process is 210.837.817 BAM or 28,10%. The total participated amount of the Sarajevo Canton in the projects is 104.419.667 BAM or 49,50%; 106.418.150 BAM or 50,50% are ensured through other sources of funding.

On 30.06.2018 the total realized amount was 26.316.473 BAM or 19,8% and the realized budget funds were 36,05%.

For the continuation of projects in implementation in 2019, it is necessary to provide 98.136.889 BAM, of which from the Budget of Canton Sarajevo 70.831.551 BAM (72,20%), and 27.305.338 BAM (27,80% ) from other sources of financing.

2 co-financing projects were 100% realized: construction of a hall for physical education and sports for elementary school "Sedma osnovna Škola" (Seventh Primary School) and the construction of artificial snow production systems and the new vertical transport on the mountain Bjelašnica.

Out of the total value of the projects in implementation (315.260.723 BAM), 210.837.817 BAM or 28,10% were realized during the investment period - the Sarajevo Canton participates with 104.419.667 BAM or 49,50% and 106.418.150 BAM or 50,50% is covered by other sources of financing.

Table 11. Current and nominated projects<sup>9</sup>

<b>Projects</b>	<b>Total nominated</b>	<b>Total current</b>	<b>Participation of the Sarajevo Canton (KS)</b>	<b>Other sources of financing</b>	<b>KS %</b>	<b>Other sources %</b>	<b>Total (current and nominated projects)</b>
<i>Number</i>	101	63	47	16	74,60	25,40	164
<i>Total value</i>	352.928.542	749.437.234	354.761.956	394.675.278	47,34	52,66	1.102.365.776
<i>Used in previous years</i>		184.572.570	94.932.045	89.640.525	51,43	48,57	184.572.570
<i>Plan current year</i>		132.858.443	54.050.703	78.807.740	40,68	59,32	132.858.443
<i>Finalized as of 01.01.-30.06.2018.</i>		26.316.473	9.487.622	16.828.851	36,05	63,95	26.316.473
<i>Total finalized</i>		210.837.817	104.419.667	106.418.150	49,53	50,47	210.837.817
<i>Missing funds</i>		92.813.077	13.416.816	79.396.261	14,46	85,54	92.813.077
<i>Plan</i>	2019	98.136.889	70.831.551	27.305.338	72,18	27,82	98.136.889
	2020	96.445.038	71.808.700	24.636.338	74,46	25,54	96.445.038
	2021	53.839.270	50.836.163	3.003.107	94,42	5,58	53.839.270
<i>Future period</i>		46.718.800	44.156.800	2.562.000	94,52	5,48	46.718.800

To continue the realization of the projects in the implementation process, it is necessary to ensure a total of 98.136.889 BAM, of which 70.831.551 BAM (72,2%) is from the Canton's budget and 27.305.338 BAM (27,8%) from others sources of funding.

### 5.1.6. Main ongoing investments

**Project of road construction**, funded from EBRD loans in the amount of EUR 22,5 mil (44.006.175,00 BAM) - tranche A 16,5 mil EUR + tranche B 6 mil eur. The funds are intended for 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. As of 30.09.2018 the total amount of the remaining undrawn funds was 1.784.319,64 BAM. 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 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 procedure for selecting the contractor for the preparation of the "Revision of the Implementation

<sup>9</sup> 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 2019, 2020 and 2021 represent amounts planned within the Budget of Sarajevo Canton

Project and Supervision of the Construction and Equipping of the University Library in Sarajevo" is ongoing. As of 30.09.2018 total used funds from the Saudi Fund for Development amounted to 487.500,00 USD. A total of 592.223,36 BAM was paid from the Canton Sarajevo budget (VAT and other costs).

**The project "Energy efficiency BiH"** for 2018 valued 986.148,00 BAM. The approval procedures for this project were finished on 18.04.2018. 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 "Izet Šabić" - 346.167,00 BAM, The Fifth Primary School Ilidža - 298.285,00 BAM and Secondary Electrotechnical school - 341.696,00 BAM. The beginning of the implementation of the loan is expected in the IV quarter of 2018.

**Project Improvement of Energy Efficiency** in residential buildings of the Sarajevo Canton worth 9,385,288.00 BAM, which is in implementation process. The total amount of funds spent was 6.297.503,00 BAM as of 30.09.2018.

### **2019 projects**

#### **Projects, for which the borrowing procedures were initiated, but not finished, in 2018:**

"Water Supply Project Sarajevo" (value of 25m EUR). The purpose of the Project is the reconstruction of the water supply system, which aims to reduce water losses and the city's regular water supply. All contracts are concluded, the implementation of the process is expected to begin.

"Project for construction of roads and transversal section II (Bare - tunnel Kobilja glava - Hotonj)" - total value 101,00 mil BAM.

"Project for construction of roads, IX transversal of sub-section III (Rondo - Safeta Zajke Street together with connection of IX transversal with LOT 2C Sarajevo bypass" total value approximately 9.00 million BAM



### 5.1.7. Indebtedness

Below is an overview of current debts as of 30.09.2018.

Table 12: Loans and credits

No.	CREDIT	TOTAL 30.09.2018.
1	MALAYSIAN CREDIT (USD) project for the reconstruction of the housing stock	592.527
2	WORLD BANK (USD), Sewers reconstruction	2.791.282
3	SAUDI FUND(USD), reconstruction of educational institutions	616.778
4	KUWAIT FUND (KWD), reconstruction of water supply system	1.702.865
5	WB-TAC – credit for gas	6.840.936
6	WB - (SDR), Project of urban development	2.040.377
7	WB-IBRD - (EUR) reconstruction of wastewater treatment plant	40.628.066
8	AUSTRIA - 2 HOSPITALS	5.826.010
9	MMF credit - IV Stand by arrangement	4.567.785
10	Development bank 2011. 5 mil BAM	69.771
11	Development bank 2012. 7 mil BAM	893.234
12	UNICREDIT BANK 2012 LOT 1, 6 mil BAM	1.156.320
13	UNICREDIT BANK 2012 LOT 2, 5 mil BAM	963.735
14	UNICREDIT BANK 2012, 8 mil BAM	2.076.468
15	HEATING PLANT - Refund based on IDA credit	1.039.164
16	EBRD, Roads constriction project (EUR)	39.824.178
17	Development bank 2014., 13.174.400 mil BAM	2.521.508
18	UNICREDIT BANK 2014., 8 mil BAM	2.074.607
19	INTESA SANPAOLO BANK 2014. 4 mil BAM	1.036.745
20	BBI BANK 6 mil BAM	1.707.144
21	UNICREDIT BANK, 2015., 10 mil BAM	5.324.000
22	RAIFFEISEN BANK 2015., 1 mil BAM	526.522
23	NOVA BANKA AD 2015., 4 mil BAM	2.109.017
24	UNION BANKA 2015., 2 mil. BAM	1.064.560
25	SBERBANK BH 2015., 3 mil BAM	1.770.542
26	VAKUFСКА BANKA 2016. 1 mil BAM	788.967
27	UNICREDIT BANKA 2016. 2 mil BAM	1.603.120
28	INTESA SANPAOLO BANKA 2016. 7 mil BAM	5.518.749
29	WB-IDA, Project of energy efficacy 2016. 1.175.700 BAM	1.281.225
30	II BONDS EMISSION –(due date 02.06.2020.)	6.764.800
31	III BONDS EMISSION –(due date 29.06.2020.)	4.604.292
32	IV BONDS EMISSION –(due date 28.08.2022.)	9.112.600
33	WB-IDA - energy efficiency project BH 2017 - 2.158.673 BAM	1.548.550
<b>TOTAL:</b>		<b>160.986.444</b>

### 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 30.09.2018. (BAM)
IDA, for KJKP TOPLANE - guarantee	27.585.706,68	24.533.600,43
KJP ZOI 84	8.000.000,00	6.587.635,86
<b>TOTAL</b>	<b>35.585.706,68</b>	<b>31.121.236,29</b>

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 the total debt as of 30.09.2019. was 24.533.600,40 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 was 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 remaining debt as of 30.09.2017. amounts to 6.587.635,86 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 emission 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. 50/18), 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 Adem Zolj**, born 1964. in Sarajevo. He finished the Third Gimnasium and he graduated nad made his master degree on the Faculty of Transportation, University of Sarajevo. Before taking over the Minister of Finance in Sarajevo Canton position, he was the Director of the Directorate for Roads of Sarajevo Canton and the Executive Director of JP Autoceste of Federation of Bosnia and Herzegovina. He is the author of several scientific and professional articles.

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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 emission, 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 emission will finance a part of capital projects valued to 12,940 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.

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**Prime Minister of the Sarajevo Canton  
Adem Zolj, Mr.dipl. ing. of transportation**

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**Minister of finances  
Prof. Dr. Jasmin Halebić**