

The Role of the International Monetary Fund in the Post-War Reconstruction of Bosnia and Herzegovina

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Keywords: international organizations, international financial institutions, International Monetary Fund, project financing, stand-by arrangements

Abstract

The specifics of international organizations stated in the paper contain a particular reference to global financial institutions. It refers to the support of the development of countries in transition. It also states their reconstruction under the patronage of subjects of international law. The authors indicate the importance of the foundation and historical development of international financial institutions, especially the International Monetary Fund, along with its connection with its growing influence in the field of project financing, both regionally and globally. In the second part of the paper, the focus is on the participation of the International Monetary Fund in the reconstruction and revitalization of Bosnia and Herzegovina from the end of the war conflicts in 1995 until today. The comparative review points to the most significant areas that had the support of the International Monetary Fund in the financing of projects but also draws attention to the political side of this support through the imposition of conditions for financial resources to be approved. Through an overview of stand-by arrangements, the authors analyze the connection between the approval of projects by international financial organizations and their relation with the insistence on the implementation of specific reforms in Bosnia and Herzegovina.

Introduction

The problem of post-war reconstruction of war-torn countries has always required the participation of several different institutions and organizations in a certain period. Looking chronologically, from the renovation of Germany and other European countries with the Marshall Plan

after the Second World War, the renovation of Vietnam or the Korean Peninsula in the middle of the 20th century, to the rebuilding of post-Dayton Bosnia and Herzegovina (hereinafter BiH) from 1995 to the present day, it is clear that the bearers of the aforementioned reconstruction and renovation were the most significant subjects of the international law. In the mentioned cases, the most noteworthy actors of the reconstruction were countries that had preceded for a long time. For example, the USA was responsible for the rebuilding of Germany and other European countries through the Marshall Plan (Knapp, Stolper, Hudson, 1981, pp. 415–471) with an aid package of 14 billion dollars. But in the reconstruction of war-torn BiH, primacy in stated transactions, apart from the states, was taken over equally by international organizations. When we talk about these organizations, we primarily refer to international organizations of a universal or regional character with two significant characteristics: authority to influence international relations and crucial financial resources at their disposal. Bearing in mind the above, we will direct our focus in this paper to the projects that the International Monetary Fund (IMF) has initiated and implemented in BiH until today. Special attention is on stand-by arrangements of the IMF, i.e., their comparative review and the conditions that followed those arrangements.

The research question is: “Does the concept of conditionality refer to specific economic policy measures that the countries receiving the loan are obliged to implement to resolve ‘vulnerability’ and in exchange for multiple payments of the Fund’s financial resources within the framework of individual arrangements?”. In accordance with it, the hypothesis is that “credit arrangements with the IMF also imply the fulfillment of certain conditions, i.e., the implementation of political reforms defined in the so-called letter of intent.”

International organizations as equal subjects of international law

In international law, states have long been the only subject of international law. Many reasons led to the development of international law and the issue of subjectivity within it in this way. We can observe all these reasons from several angles: from the understanding of traditional international law, the predominant role of the state in international relations, and the mistrust of states in multilateral organizations due to the inability to ensure the achievement of the goals prescribed in the founding acts of the first international organizations, for which the most obvious example is the failure of the work the League of Nations.

In addition to all the listed difficulties, today, international organizations, as defined by Fitzmaurice (Fitzmaurice, 1956, p. 108), together with states, are equal subjects in public international law. This status is primarily due to the United Nations, which based on all the lessons learned from the failure of the League of Nations, managed to ensure credibility in its work, especially by respecting the UN Charter in the part of preserving peace and security in the world (Rakić, 2011, pp. 27–29). Following the above, Claude claims, among other things, that the issue of organizing on a universal level can be said to “be, although not exclusively, a reaction to the problem of war” (Claude Jr., 1971, p. 215), which, as a phenomenon, until the establishment UN, was impossible to systematically prevent or punish its initiators.

Today, there are about 5,000 international governmental organizations (and even 25,000 international non-governmental organizations) that meet the physical and legal conditions to be considered international organizations” (Mišćević, 2012, p. 14). According to Archer, all of them, regardless of the scope of membership, founding acts, legal status, and number of officials, have several primary roles in relations at the international level, namely: “the role of instrument-means, arena-forum in participant-actor” (Archer, 2015, pp. 130–132).

All international organizations can be classified according to several criteria, starting from the breadth of membership (universal and regional), openness and permanence (open and closed), and up to activities (universal and specialized) and powers (deliberative, operational, and those that have a national character), (Dimitrijević, Račić, 2011, pp. 36–39). The subject of the author’s further analysis in the following text will be the IMF as one of the most significant universal, deliberative, open, specialized international organizations – the International Monetary Fund.

The role and importance of the International Monetary Fund

The great economic crisis at the beginning of the 20th century led to a decrease in employment, lack of investment, recession, political instability, and, according to many, the beginning of the Second World War. After the war finished and the Marshall Plan was launched, it was openly advocated to regulate economic activities at the international level and establish international organizations. In addition to the establishment of the United Nations (referred to as the UN) as the foundation of the international organization, the second phase in the development of the law of international organizations was dedicated to organizations that dealt with economic problems. Within them, international financial organizations gained particular importance after the conference in Bretton Woods in 1944, where the basic contours of the international financial order were determined. Following the period after the Bretton Woods agreement (also called the “golden age of capitalism”), we see that it influenced the establishment of some of the most important international financial institutions, primarily the World Bank and the International Monetary Fund (referred to as the IMF).

Although it was founded in 1944 as an international financial organization by a long-standing international agreement, the IMF only completed the formation of all bodies at the end of 1945. After several phases of negotiations in 1947, it also received the status of a specialized UN organization. The fundamental tasks for which the IMF was founded could be summarized in the following “developing international cooperation, facilitating the conditions for the expansion and balancing the development of international trade, stability of currency rates, assisting in the introduction of a multilateral payment system, balancing payment balances” and others (Popović, Vukadinović, 2007, p. 117).

The IMF represents an international economic organization whose role refers to facilitating liberal trade and payment transactions (Keohane, 2005). The hypothesis that aid is approved to fulfill outlined foreign policy agendas of highly developed countries contradicts the basic postulates contained in the IMF statute. If this hypothesis is confirmed, it would mean that the “doctrine

of economic neutrality” which the IMF emphasizes as an essential characteristic of its policy, can be a cover for the imperialist aspirations of the United States of America and other developed countries. In this regard, Smith believes that the International Monetary Fund is a “political institution. It is guided by politically appointed persons appointed by the member states, and the decisions of the organization reflect the political interests of the member states” (Smith, 1984, p. 211). The IMF provides financial assistance to its members in exchange for economic reforms (Oatley & Yackee, 2004). According to many theoreticians, the USA has a great impact on the shaping of the goals and policies implemented by the IMF. In this context, it is crucial to emphasize the ability of the USA to influence decisions made within the framework of conditionality agreements (Grujić & Popović, 2019, p. 146; Reyes, 2017, p. 10).

The IMF’s statute states that the purpose of establishing the IMF is to facilitate the expansion and balance of international trade and contribute to the fundamental goals of economic policy (promotion) and maintaining a high level of employment and real income, as well as the development of production opportunities of all members. The IMF, together with the World Bank, looks at foreign trade from the perspective of insisting on a healthy overall macroeconomic framework to ensure a healthy external position of the country.

The specificity of this international organization is the working method defined by the statute, which is determined by two related conditions: the number of quotas and the number of votes that member states have based on them. On average, each of the IMF member states has the right to 250 votes, one vote for every 100 thousand withdrawal rights with a specific character. Since the beginning of the IMF, the rule was that decisions were made with 80% of votes, and it was noticed that it was necessary to tighten that percentage. That is how the IMF Statute was amended in 1978 but that percentage was increased to the required 85% of votes.

It is controlled by a complex system of bodies that consists of the Board of Governors, the Executive Board, and the Managing Director of the IMF. When we talk about the Executive Board, we need to emphasize that “countries are grouped into constituencies to elect 24 executive directors as members of this board, except the largest members of the IMF (USA, Germany, Japan, France, and Great Britain), which have their Executive Directors” (Bordo, James, 2000, p. 6). Although it has a great organizational structure, whose work performs over two thousand six hundred (2,600) employees, the work of the IMF is also subject to harsh criticism. They can most often be summarized as follows:

The IMF had to pay more attention to the following: the basic principle related to the provision of funds that would increase the aggregate demand of countries facing recession; aspects related to poverty and unemployment; inflation that is often too emphasized, forgetting economic growth and unemployment in general, although they are equally important, etc. (Petrović, Jović, 2013, p. 171).

Although it has, as we mentioned, the status of a specialized organization of the UN and an open international organization, membership in the IMF is not devoid of significant obligations. They are aimed mainly at the established principles of foreign monetary and economic policy, that is under

the policy of the IMF. In addition to the above, the IMF often insists on implementing particular reforms that are not only of an economic nature but may have the character of political conditioning. When talking about these conditionalities, we have to emphasize that most often “the term conditionality refers to specific economic policy measures that the countries receiving the loan are obliged to implement to solve ‘vulnerability’ and in exchange for multiple payments of the Fund’s financial resources within the framework of certain arrangements” (Andrijić, 2021, p. 93). In the continuation of this paper, the authors will discuss the cooperation of the IMF with Bosnia and Herzegovina and especially the conditioning of obtaining financial resources through stand-by arrangements.

One of the greatest critics of the work of the IMF, John Perkins, in his book *Confessions of an Economic Assassin* criticizes the “corporatocracy” represented by large world corporations, banks, and governments. Describing his role as an economic killer and the part of his colleagues, Perkins says: „Economic killers are extremely well-paid professionals who rob countries around the world of thousands of billions of dollars. They funnel money from the World Bank, the United States Agency for International Development (USAID), and other foreign “aid organizations into the wallets of large American ‘international’ corporations and the pockets of members of the few wealthy families who control the planet’s natural resources” (Perkins, 2004, p. 1).

The IMF and the World Bank share a common goal of raising living standards in their member countries. The World Bank Group works with developing countries to reduce poverty and increase shared prosperity, whereas the IMF serves to stabilize the international monetary system and acts as a monitor of the world’s currencies (Johnson, 1997, p. 8).

The IMF has drawn vocal criticism over the years. In his 2002 book, *Globalization and its Discontents*, Nobel Prize-winning economist Joseph Stiglitz denounced the fund as a primary culprit in the failed development policies implemented in some of the world’s poorest countries (Stiglitz, 2002, p. 185). He argues that many of the economic reforms the IMF required as conditions for its lending – fiscal austerity, high-interest rates, trade liberalization, privatization, and open capital markets – have often been counterproductive for target economies and devastating for local populations. The fund has also been criticized based on overreach or “mission creep” (Daoud, et. al., 2019, p. 4). Easterly makes this case in his 2006 account of the failures of Western aid to the undeveloped world (Easterly, 2006, p. 970). While he acknowledges some IMF successes in firefighting financial crises in Mexico and East Asian countries in the mid-1990s, he criticizes many of the fund’s interventions in severely impoverished countries, particularly in Africa and Latin America, as overly ambitious and intrusive. In addition, he describes many of the fund’s loan conditions and technical advice as out of touch with ground-level realities. In recent years, the IMF’s work in more advanced economies has drawn ire as well. Greece has been the most high-profile example, as troika-imposed austerity measures have deepened the country’s economic contraction. In July 2015, popular discontent led to a “no” vote in a referendum on whether to accept the IMF’s loan conditions, which included raising taxes, lowering pensions and another spending, and privatizing industries. The government then ignored the results and accepted the loans. However, the Greek case also saw the IMF soften its stance on austerity, at least compared with the European

Commission and ECB. In 2016, senior IMF economists argued that more austerity would be counterproductive, and in 2018 the fund raised the alarm about the unsustainability of Greece's debt burden, putting it at odds with the rest of the Troika. However, others dismiss the suggestion that the IMF's approach should be changed (IMF, n.d.).

Stiglitz mistrusts the IMF and argues that the drastic austerity measures he prescribes to his clients are a "wrong solution" that does not work positively in crisis conditions. He harshly criticized the IMF for its policy towards over-indebted countries, accusing it of pushing these countries into an even greater crisis. He claims that the debt crisis in the eurozone cannot be solved by restricting spending. Instead, the economic expansion should be encouraged by stimulating government spending. According to his formula, countries facing a debt crisis should not listen to the advice of the IMF, which requires limiting budget spending but should focus all efforts on broadening economic activity and employment (Stiglitz, 2002).

The most significant projects of the International Monetary Fund in Bosnia and Herzegovina

BiH inherited membership in the Bretton Woods institutions and the Bank for International Settlements as one of the five successor countries of the Socialist Federal Republic of Yugoslavia (SFRJ). SFRY has been a member of the Bretton Woods institutions since its establishment. The Central Bank of Bosnia and Herzegovina (CBBH) is the depository for the Bretton Woods institutions, and since 2002 it has been the fiscal agent for BiH's membership in the IMF. BiH is a member of the European Bank for Reconstruction and Development and the European Investment Bank. In all the mentioned institutions, BiH partially inherited and then paid or deposited the necessary guarantees for the payment of its part of the funds into the general sources of funds of the mentioned international financial institutions.

The financial position of Bosnia and Herzegovina in the mentioned institutions has so far been visible through three statuses:

- debt (which means that the beneficiary of the loan uses an amount that exceeds its share, in the total sources of funds),
- neutral (does not use funds) or
- zero (uses funds in an amount equal to its share in total sources of funds).

BiH's share in the total quota, and therefore its bargaining power, amounts to 0.06%. Concerning the above, Bosnia and Herzegovina belongs to a group of developing countries and has often made arrangements with the IMF. From 1998 until today, the IMF approved four stand-by arrangements for Bosnia and Herzegovina. According to data from the IMF website, the total value of the stand-by arrangement¹ is 4.1 billion euros. BiH used 1.9 billion euros of the approved funds.

¹ The essence of these arrangements is that the IMF approves them for member states due to the balance of payments difficulties. Funds for these purposes are provided from general sources (General Resources Account - GRA). The negotiation system implies that the Fund agrees with the member state on the conditions under which the arrangement is approved and stated in the Letter of Intent. Funds are paid in installments, so-called tranches, and the member state

The first arrangement BiH signed in 1998, and the last in 2012. They were all repaid in a total amount of more than 1.3 billion euros. The so-called extended arrangement (EFF) was signed in 2016, and BiH was approved for about 620 million euros. Bosnia and Herzegovina withdrew a little more than 177 million euros in two tranches, repaid about 7.3 million euros, and until 2028 it remains to repay more about 170 million euros. The rest of the funds were not transferred to BiH because the authorities did not implement the agreed reforms (Aćić, Grujić, 2022, p. 22). In April 2020, during the closure of countries due to the corona crisis, BiH agreed on the so-called instrument for rapid financing with the IMF. By this, BiH was granted about 371 million euros with a repayment term of 2025. Negotiations on the new credit arrangement of BiH with the IMF, in the amount of around 750 million euros, were interrupted at the end of 2020 after failing of political representatives from the Republic of Srpska, and the Federation of BiH² entity, to agree to the terms of the IMF. In particular, the authorities of the Republic of Srpska refused to accept the obligation to implement the reforms that the IMF considers necessary. The problem for the authorities in the RS is that the IMF demanded a single register of all private accounts in Bosnia and Herzegovina at the state level. The representatives of the Republic of Srpska thought that the state does not have the right to inspect the accounts of citizens, that is, this is the exclusive authority of the entity. The IMF pointed out that this is a step that has the sole aim of preventing money laundering, and such regulations have long been valid in the member states of the European Union³.

The last report of the IMF from May, emphasizes that the prospects in the future are very uncertain. According to projections, economic growth will fall from 7.1 percent in 2021 to 2.4 percent in 2022 and will stabilize at approximately three percent in the medium term. Inflation will remain elevated until the very end of this year, after which it will gradually moderate. All the mentioned negative risks are high. The key recommendation is that the authorities should protect the most vulnerable categories of the population from inflation, preserve financial stability, increase public investments and accelerate reforms to strengthen the single economic space, and establish a course of higher economic growth in the medium term. The authorities should mitigate the impact of high prices on the most vulnerable but, at the same time resist calls for salary increases and the introduction of a differentiated VAT rate. Given the lack of adequate social assistance, we should consider a temporary abolition of excise duty on fuel. The authorities should

repays each tranche in eight equal three-month installments. Before paying out the agreed tranches, the Fund controls the realization of the conditions that the member state committed to when agreeing on the arrangement.

² Bosnia and Herzegovina consists of two equal entities, the Republika Srpska and the Federation of Bosnia and Herzegovina.

³ The loan was offered on more favorable terms than the authorities in Bosnia and Herzegovina could obtain on the capital market, where they started taking on new debts. After refusing to cooperate with the IMF, the authorities in Srpska, pressured by the budget deficit, decided to offer government bonds for sale on the London Stock Exchange. They issued bonds worth 300 million euros and sold them in April at an interest rate of 4.75 percent. The loan offered by the IMF had an interest rate below one percent.

also improve social support to prepare for future shocks, strengthen public financial management and increase public investment in infrastructure and green energy to boost growth in the medium term. The IMF points out that the currency board continues to serve Bosnia and Herzegovina well but needs to be strengthened further. Ensuring strict adherence to prudential requirements and developing contingency plans for future liquidity pressures are essential to preserving financial stability. Establishing a fund for financial stability that covers the whole state, and can facilitate the restructuring of banks and ensure liquidity in emergency cases, would fill up a crucial gap in the network of financial sector protection mechanisms. The IMF points out an urgent need to solve the long-standing shortcomings, especially by revising the framework for preventing money laundering and terrorist financing and the framework for public procurement. Establishing a register of bank accounts of natural persons for the entire country would strengthen the effectiveness of preventing money laundering and terrorist financing, as well as debt collection. It is necessary to continue efforts aimed at improving the management of public enterprises and reducing fiscal risks.

Significance of stand-by arrangements

When an individual IMF member country faces a fundamental macroeconomic imbalance, the IMF gets involved in solving the problem, at its request. Through negotiations with the member state, the IMF adopts a framework program that contains macroeconomic measures and policies that the member state needs to adopt and implement, together with conditions that need to be fulfilled for the IMF to approve the appropriate financial assistance. Due to the above-stated readiness to provide financial and advisory support to members in the shortest possible time, the IMF is called a “Stand-by Lender” in English. This arrangement can be descriptively explained as a support one can currently count on. The message sent is much more important than the amount of IMF financial assistance. All other bilateral and multilateral investors are instantly informed that the country has committed itself to carrying out the necessary reforms to the economic system and that they will carry out the mandatory structural reforms and improvement of the entire institutional framework. Financial aid from the IMF is usually not enough to solve all problems, but it represents a kind of catalyst because it initiates financing from other institutions or countries. From the perspective of developing countries, another Bretton Woods institution, the World Bank, is usually involved in solving the problem. Its assistance is complementary to the support from the IMF.

The reduction of stand-by arrangements in favor of flexible lines is evident, especially in aid programs for underdeveloped economies. These credits are denominated in Special Drawing Rights (SDR). Such developments show us a change in policy management by the IMF. Having learned from a global economic crisis and ineffective saving measures in Greece, the IMF is turning to aid programs to prevent the crisis outbreak. The IMF is guided by the idea that prevention is the most effective remedy for stopping the emergence of deficits and the outburst of crises. The high social costs of these reforms are the most common cause of their failure.

The IMF emphasizes the need for further fiscal consolidation, job creation, and political will to implement other reforms. The cooperation of the IMF, the European Union, and the European Central Bank are crucial for achieving intelligent, inclusive, and sustainable economic growth in European countries, which follows the Europe 2020 strategy.

The IMF's task is to ensure the growth of international exchange and ensure the ability of countries to correct disproportions in the balance of payments through stand-by arrangements. In this way, states can use stand-by arrangements to correct these disproportions in the balance of payments and avoid using long-term destructive measures, such as changing the currency value. Thus, arrangements with the IMF indirectly stimulate the country to make its foreign trade conditions healthy in the long term. As far as Bosnia and Herzegovina is concerned, the stand-by arrangement clearly states that the currency board must be maintained. It also provides part of the stand-by funds for a possible increase in reserves in the Central Bank of Bosnia and Herzegovina if it is necessary to ensure the full coverage of the currency board (Capital, 2019, p. 156).

According to IMF reports, reforms in the financial sector that the IMF insists on, which include the reduction and control of income in the public sector, will contribute to increasing the competitiveness of the private sector, which will no longer compete with high public salaries.

Conditionality of financial support on the implementation of reforms in BiH

All adopted measures can be divided into restrictive, incentive, and social security measures. Restrictive measures refer to the reduction of budget costs, primarily administration costs (salaries and other benefits of public administration employees, and material business costs), and the reduction of total social benefits that are realized primarily through entity budgets. Most of the measures implemented so far at all levels of government are restrictive in nature and are part of the conditions set by the IMF for obtaining individual loan tranches. Each loan tranche is a subject to a series of restrictive requirements.

In the case of Bosnia and Herzegovina, the final beneficiaries of IMF loans are the entities and the Brčko District of Bosnia and Herzegovina. The loan is formally remitted, distributed, and returned through the Central Bank of Bosnia and Herzegovina and the State Ministry of Finance and Treasury of Bosnia and Herzegovina. Funds for loan repayment mainly come from value-added tax collected by the BiH Indirect Taxation Administration, which began operating in 2005. At that time, the former customs administrations of the Federation of BiH, Republika Srpska, and Brčko District of BiH were merged.

Under the pressure of the IMF, Bosnia and Herzegovina obtained, for example, Administration for Indirect Taxation. On the other hand, the IMF unconditionally transferred 307,739,522 euros to the Central Bank of BiH account on August 23, 2022. The Central Bank will further forward this money to the accounts of the two entities, the Federation of Bosnia and Herzegovina and the Republic of Srpska. According to the 2016 agreement between BiH and the IMF, the Federation of Bosnia and Herzegovina should receive two-thirds of that amount, or 205,159,681 euros,

and the Republika Srpska 102,579,840 euros. Brčko District will not receive a euro unless the entities give up some amount in favor of this third separate administrative unit. The IMF predicted that this money would help countries fight against the COVID-19 pandemic. However, the money was paid without any conditions, no reforms were requested and it is not a loan. Bosnia and Herzegovina will pay only 154,242 euros in the name of “SDR interest on conversion into a certain currency.” The entities can spend it on whatever they want. They can, for example, use it to pay off loans, pay pensions, pay taxes owed by public companies, incorporate it into entity budgets through rebalancing, or forward it to the budgets of cantons (in the FBiH), municipalities, and cities. This money is allocated to IMF members in proportion to their existing quotas in the Fund. It is expressed in Special Drawing Rights (SDR), an international reserve asset defined by a basket of currencies that includes the US dollar, the euro, the Chinese yuan, the Japanese yen, and the British pound.

The establishment of a register of accounts of natural persons at the state level, which would be managed by the Central Bank of Bosnia and Herzegovina is one of the conditions of the IMF. Two such registers exist separately in FBiH and the Republic of Srpska. The European Union, in the fight against money laundering, requires all member countries to establish such in their countries. Commercial banks operating in Bosnia and Herzegovina also requested these, as it would make it easier for them to collect debts and claims. The Republika Srpska assessed this request as a “transfer of jurisdiction from the entity to the state” and rejected it. The adoption of a new law on electronic signatures at the state level was also a request. Representatives from Republika Srpska objected to this because of the “transfer of jurisdiction.” The third condition was the adoption of the state law on energy, which would regulate the energy and natural gas market in BiH (Radio Slobodna Evropa, 2020). Entities have their gas laws. BiH is a signatory to the Energy Community Agreement, and all signatory countries have agreed to align their energy sector with EU norms. The representatives of Srpska opposed this condition of the IMF and the EU “because of the transfer of jurisdiction.”

In support of the claim that the conditions are restrictive is that the agreement between Bosnia and Herzegovina and the IMF on the new credit arrangement was a condition of the European Union that the state and its entities receive EU funds for macro-financial assistance of 250 million euros. The aid was divided into two tranches, each amounting to 125 million euros. The first tranche is unconditional, while the second tranche requires exact reforms. It is a part of an aid package worth 3.3 billion euros provided by the European Commission and the European Investment Bank for the countries of the Western Balkans (IMF, 2022). However, the European Commission emphasized that “along with the money comes the realization of certain policies related to respect for human rights, democratic principles, and the rule of law.”

As a confirmation of the hypothesis, we point out that 69% of the amount transferred by the IMF is of a restrictive nature. In other words, the payment implied particular political reforms (Table 1).

Table 1. Bosnia and Herzegovina: Transactions with the Fund

Year	Condition-measures	Amounts in SDRs
2020	restrictive	265,200,000
2018	incentive	63,412,500
2016	incentive	63,412,500
2014	restrictive	211,375,000
2013	restrictive	109,915,000
2012	restrictive	101,460,000
2010	restrictive	155,570,000
2009	social security	182,630,000
2004	incentive	12,000,000
2003	restrictive	24,000,000
2002	restrictive	31,600,000
2001	restrictive	13,990,000
2000	incentive	27,160,000
1999	restrictive	29,030,000
1998	incentive	24,240,000
1995	social security	30,300,000
1992	social security	20,538,522
Total		1,365,833,522

Restrictive	942,140,000	69.0%
Incentive	190,225,000	13.9%
Social Security	233,468,522	17.1%
Total		100.0%

Source: International Monetary Fund (2022).

Conclusion

The IMF is an international economic organization whose role is to facilitate liberal traffic of trade and payment. Shortly, the IMF's task is to ensure global financial and economic stability with the World Bank, just as the UN has the task of ensuring global political stability. The IMF plays a major role in maintaining stability and preventing economic crises in the world. It strives to solve monetary problems and improve international trade with all its instruments and experience. At the same time, it maintains a high level of employment and income, foreign exchange stability, helps the formation of a multilateral payment system, maintains global liquidity, gains the trust of its members, and reduces the negative consequences of uneven balances of payments.

The paper confirms the hypothesis that the IMF often insists on the implementation of determined reforms that are not only of an economic nature and may have the character of political conditioning. The answer to the research question implies an emphasis on the fact that the IMF's lending is conditioned by the adoption of specific economic policy measures that the countries receiving the loan are obliged to implement to resolve "vulnerability" and in exchange for multiple payments of the Fund's financial resources within the framework of individual arrangements.

BiH belongs to the group of developing countries and has often entered into arrangements with the IMF. From 1998 until today, the IMF approved four stand-by arrangements for Bosnia and Herzegovina. According to data from the IMF website, the total value of the stand-by arrangement amounts to 4.1 billion. BiH used 1.9 billion of approved funds.

All measures adopted by Bosnia and Herzegovina can be divided into restrictive, incentive, and social security measures. Restrictive measures refer to the reduction of budget costs, primarily administration costs (salaries and other benefits of public administration employees, and material business costs), and the depletion of total social benefits realized through entity budgets. Most of the measures implemented so far at all levels of government are restrictive in nature and are part of the conditions set by the IMF for obtaining individual loan tranches. Each loan tranche is a subject to a series of restrictive requirements. One of which was the establishment of the BiH Indirect Taxation Authority. It was not predicted as such by the Dayton Peace Agreement as an institution of BiH because tax policy is the competence of the Republika Srpska and FBiH entities. This way, the IMF joined other international organizations such as NATO, OSCE, EU, and UN, which, in the implementation of the Dayton Peace Agreement, often insisted on anti-constitutional action. That is the transfer of competencies from the entity level to the level of joint institutions of BiH. It was contrary to the mandate they had in BiH.

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Citation

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