
BOSNIA NEEDS TO RESTRUCTURE AND PRIVATISE STATE FIRMS, IMF FINDS

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Bosnias hundreds of loss-making state-owned companies, accounting for about a fifth of the economy, should restructure or be privatised to become sustainable, said an IMF official presenting the first comprehensive overview of the sector.

Bosnia signed a 553 million euro (\$627 million) loan deal with the IMF in 2016 but it was frozen last year over a lack of economic reforms, and the recommendations from the IMF's technical analysis of state-owned companies could be included in any reform programme if the loan is to be unfrozen.

The IMF's reform agenda is also important because it is in line with requirements of the European Union to speed up Bosnia's integration into the bloc.

Yet any shakeup of state companies would likely be controversial, given they account, along with government jobs, for 27 percent of total employment in Bosnia, and the small number which are profitable are used by ruling political parties as cash cows and workplaces for loyal cadres.

The companies have remained in government ownership since the first wave of privatisation was only partly completed after the Bosnian war ended in 1995.

Government investments in these companies are yielding negative returns, the sector is highly indebted, and many companies have liquidity problems, Francisco Parodi, the IMF Resident Representative in Bosnia, told Reuters.

The authorities have many options, from closing companies, restructuring and privatisation, Parodi said.

Some 548 companies remain majority owned by government and the IMF's analysis showed their total debt exceeding revenues and accounting for 28 percent of total assets, put at 30.9 billion marka (\$18 billion).

In a country divided along ethnic lines, there is no central register of such firms, few issue regular financial statements and their ownership structure is often opaque.

The governments need to be better owners of their firms, to know what they own, to have good policy reasons to owning them and to appoint managers based on professional credentials and not party affiliation, said Parodi, the analysis author.

Only five of the 20 top state companies are categorised as sound or low risk. Two of them, BH

Telecom and power utility Elektroprivreda BiH (EPBH), accounted for 90 percent of the 80.7 million marka total dividends paid in the sector in 2017, according to the report.

Parodi recommended that Bosnias two regions, the Bosniak-Croat Federation and the Serb Republic, should create registries of such firms and decide on their future ownership, taking into account their performance and policy relevance.

<https://www.reuters.com/article/bosnia-companies-imf/bosnia-needs-to-restructure-and-privatise-state-firms-imf-finds-idUSL5N20G6V5>

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