

Bosna i Hercegovina
Federacija Bosne i Hercegovine
Unsko-Sanski kanton
Općina Cazin



Bosnia & Herzegovina
Federation of Bosnia & Herzegovina
Una-Sana canton
Cazin municipality

PROSPECTUS

**Public offer for the first issue of municipal bonds
Municipality of Cazin**

Agent:

SPARKASSE 
BANK

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The Municipality of Cazin

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Cazin municipality accepts responsibility for the content of this Prospectus. According to knowledge, opinion and information which the municipality of Cazin possesses, we declare that all information in this prospectus constitute a full and fair presentation of financial position, assets and liabilities, profits and losses of the municipality of Cazin, and the rights and obligations contained in municipal bonds Cazin, and that facts that could affect the completeness and accuracy of this prospectus. The prospectus does not conceal the information of material importance and contains no data or information that could mislead potential investors. Accordingly, the issuer accepts responsibility for the information contained in this Prospectus.

In accordance with Article 3 Law on borrowing, debt, indebtedness and guarantees in the Federation of BiH ("Official Gazette of the Federation", No. 86/07, 24/09 and 44/10), the issuer gets onto debt through the emission of municipal bonds, totaling 1,000,000.00 KM. The time period is 12 years.

In accordance with the Law on Securities Market ("Official Gazette of F BiH" No. 85/08), this prospectus was approved by the Securities Commission of the Federation at the meeting held on 10.05.2012. decision no. 03/1-19-89/12. By approving this prospectus, the Securities Commission of the FBiH has confirmed, that the prospectus contains all the data defined by the Law on Securities Market ("Official Gazette of F BiH" No. 85/08), and the Regulations on emission of securities ("Official Gazette of F BiH" No: 18/09), and that it can be published. The bonds will be listed on the official market of the Sarajevo Stock Exchange.

No one is authorized to give information and statements in connection with the offer and sale of bonds, which are not contained in this prospectus. If such statements/information are made/published they should not be relied on. Publishing of this Prospectus or the sale or purchase of bonds does not imply that the circumstances of the municipality of Cazin have not changed since the publishing date of this prospectus. This Prospectus should not be considered as a recommendation to buy or sell bonds by or on behalf of the municipality of Cazin, or by the emission agent, or on behalf of any other person who is connected with them, in any country where giving of such offers or invitations by such persons is illegal.

Any investor, who is considering the purchase of bonds, is referred to his own evaluation and assessment of the financial position and operations of the municipality of Cazin and conditions of bonds, including the inherent risks as described in Chapter 5 - INVESTMENT RISKS AND CAUSES OF RISKS. All annual data, including data on financial statements, are based on calendar years, unless otherwise indicated. In this document, the symbol „KM" refers to convertible mark, the legal currency in Bosnia and Herzegovina (hereinafter: BiH) while „EUR" refers to Euro.

1. ISSUER INFORMATION

1.1. Basic information

Name: Općina Cazin
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tel.+387 37 514 006 fax: +387 37 514 314
web: www.opcinacazin.ba e-mail: op.cazin@bih.net.ba

1.2. Legal status

The Municipality of Cazin is a local government unit with the rights and obligations established by the Constitution and law. The municipality is a legal person.

1.3. Prevailing business activity

Representative, executive and other local authorities.

1.4. Municipality authorities

Municipal authorities are the Municipal Council and Mayor.

The Municipal Council is the representative body of citizens of the municipality and local government, elected by universal suffrage by direct elections by secret ballot in the manner provided by law. The Municipal Council decides on its own municipal regulations and other acts within the rights and duties of the municipality, and performs other tasks in accordance with the Constitution, law and this statute. The Municipal Council has 30 Councilors of which one seat belongs to ethnic minorities. The mandate of the Councilor is four years.

The Municipal Council:

1. adopt the Statute of the Municipality by a two thirds majority votes;
2. makes decisions and other general acts that regulate matters of municipal self- government scope;
3. decides about the municipality budget, annual report on budget execution and about temporary financing in accordance with the law;
4. establishes municipal policy within the jurisdiction of the municipality and monitors its realization;
5. decides about development, spatial and urban plans and programs, and implementation plans, including zoning;
6. issue regulations on taxes, fees and contributions from the municipality in accordance with the law;
7. make decisions about the management and disposal of municipal property;
8. makes decisions on municipality's borrowings, public loans and issuing of guarantees in accordance with the law;
9. defines the program of the city construction land decoration;
10. defines the plan of public land use;
11. make decisions about the organization of local self-government and names of streets, squares and populated areas;
12. make decisions about merging municipalities into alliances and other forms of organizations, and about the permanent establishment of friendly and other cooperation with other local and regional communities of other countries;
13. makes decisions about holidays;

14. makes decisions about awards and prizes of the Municipality;
15. makes decisions on the referendum and the convening of the local community meetings;
16. elects and dismisses the Chairman and Vice Chairman of Municipal Council;
17. forms working bodies of the Municipal Council and elects and dismisses their members;
18. appoints, elects and dismisses other persons defined by law, statute and decisions, and approves the appointment, election and dismissal when prescribed;
19. establishes administrative services and other agencies of local self-government;
20. forms companies and institutions and other legal entities to carry out communal, social, economic and other activities of interest to the council and decides on their status changes in accordance with the law;
21. decides on termination of institutions and other legal entities in accordance with the law;
22. decides on transfer and takeover of the founder's rights in accordance with the Statute;
23. consider the annual report on the implementation of municipal policies and activities of the Mayor;
24. initiates and considers the possibility of the Municipality Mayor dismissal and makes decisions on the initiation of the Municipality Mayor dismissal process;
25. evaluates the work of institutions and service quality in the sector of health, social welfare, culture and sport, at least once every year, and ensures the improvement of their work and services quality in accordance with the needs of the population and the availability of the Municipality;
26. decides on individual and other acts of self-competence in accordance with the law and this statute;
27. analyzes the state of public order, security of persons and property, at least once every year, and proposes measures to the competent authorities;
28. defines guidelines for the conduct of personnel policies in accordance with the law;
29. adopts its own rules of procedure;
30. adopts the defense plan for the Municipality and for themselves;
31. determine the coefficients for the calculation of earnings for:
 - Municipality Mayor,
 - Civil servants in the municipal civil service,
 - Municipal Attorney and the Deputy Municipal Attorney and
 - d. civil servants in the Municipal Attorney Office;
32. Performs other duties prescribed by the law and Statute.

The Rules of Procedure of the Municipal Council define more specifics and details of the Organization of the Municipal Council.

The activities of the Municipal Council are public. The municipal council may decide that certain issues can be considered without public presence.

Municipal councilors can educate clubs of councilors from political parties that participate in the Municipal Council and coalitions of independent candidates in order to facilitate the efficient operation of the Municipal Council and the progression of interparty and parliamentary cooperation. Club of councilors are being educated as a mechanism of action of Councilors and political parties that participate in the Municipal Council. Education, tasks and work methods of clubs of councilors are described in the Work Procedure.

The Municipal Council may make valid decisions if the session is attended by a majority of the total number of councilors. The municipal council makes decisions by majority voting of the municipal councilors.

The Chairman represents the Municipal Council and presides over meetings of the Municipal Council, within the rights and duties of the Municipal Council.

The mandate of the Chairman and Deputy Chairman lasts until the expiration of the mandate of councilors. Chairman of the Municipal Council may carry out their duties professionally, as decided by a special decision of the Municipal Council. The functions of the Municipal Mayor, civil servants and the function of municipal councilors are incompatible.

The Mayor is the executive officer of the municipality. The Mayor is directly elected in the manner and procedure established by the Election Law. The Mayor shall carry out his duties during the term of the elected mandate. Once elected, the Mayor has to resign from any of incompatible duties before taking office in accordance with the law. The mayor may resign from his position. Mayor may also be dismissed from his position.

In case of termination of the mandate of the Municipal Mayor for reasons specified by law, the chairman of the Municipal Council shall carry out the duties of the mayor and if he does not accept, then a councilor is elected by the majority votes. During his temporary absence or inability, the mayor may be replaced with a functionary or an employee of the municipal administration, which is authorized by the mayor. If the Mayor decides to resign, he shall remain on the position until a new Mayor is elected.

The mayor, as an executive, within the scope of municipal self-government and his authority shall:

1. represent the Municipality
2. ensure the execution of decisions and other acts of the Municipal Council and is responsible for their implementation,
3. submit a budget proposal to the Municipal Council,
4. is responsible for implementing the budget of the Municipality,
5. perform management oversight of the legality of public institutions and enterprises founded by the municipality, and gives them instructions for operation,
6. make regulations under his jurisdiction,
7. propose decisions and other acts of the Municipal Council,
8. design development plans, investment programs, regional and town planning and other planning and regulatory documents pertaining to the use and management of land, including zoning and use of public lands and submit them to the Municipal Council for approval,
9. implement the politics of the Municipality in accordance with the decisions of the Municipal Council,
10. implement laws and regulations whose execution were entrusted to the Municipality,
11. Establish the organization of Administrative Services and other departments of the Municipality,
12. adopt the Rules on Internal Organization of Municipal Services,
13. Initiate cooperation with other municipalities, cities, and other international organizations in accordance with the decisions and conclusions of the Municipal Council,
14. submit a report to the Municipal Council on the implementation of municipality's politics and its activities,

15. decide on issues from employment of employees in accordance with the law,
16. take care of the legal and timely caring out of the responsibilities of the municipality departments and take measures to ensure their efficient realization,
17. conclude contracts and other legal activities in accordance with the law, these statute and the decisions of the Municipal Council,
18. takes cares about the proper use of assets and work resources,
19. writes off fixed assets and small inventory of municipal administration at the municipality of Cazin, in accordance with the Law,
20. perform other tasks defined by law, regulations and this statute, and other tasks and duties which he was entrusted to by the Municipal council.

The Mayor shall conduct his duties professionally.

1.5. The organization of the municipal civil service

Several Municipal Administration services are formed within the municipal civil service. Based on the decision on organization and area of activity of the municipal civil service and based on the education level of the office of the Municipal Mayor, number, name, area of work of municipal services, type of management and coordination and other issues important for the organization and area of work of authorities, is being defined. Regulations on internal organization of the municipal authorities of the Municipality of Cazin define: the organization of the civil service, organizational units and their area of work, systematization of workplaces, management of municipal services, responsibility for operating and labor relations, civil servants with special powers and other issues important for the internal organization and operation of the municipal civil service.

2. INFORMATION ON ISSUED SECURITIES

2.1. Type of securities

The municipality of Cazin issues municipal bonds, long-term debt securities which ensure the legal right to the holder to receive the maturity amount of money plus interest rate, determined by the Decision on municipal bonds emission.

These bonds will have a fixed annual interest rate. The principal and related interest will be paid in semiannual installments.

2.2. Legal status of municipal bonds

Municipal bonds are issued in non-material form, in the form of electronic records, in series, related to a name, are freely transferable and are uninsured.

Municipal bonds are unsecured, direct and unconditional obligations of the Issuer, which are mutually equal and have the same rank with all other present and future unsecured obligations of the Issuer, except obligations which, defined by the law, may have a priority status.

The obligations of the Issuer or payments of principal and interest shall be charged at the expense of the municipality budget funds.

2.3. The rights contained in municipal bonds

Bonds issued in this emission are freely transferable securities that are direct and unconditional obligation of the Issuer. The owner of the bonds has the right to charge the nominal value of principal and accrued interest rate. No one bond owner has the right to seek early repayment maturity.

The rights and obligations under the securities-bonds, are acquired, transferred and restricted through entry into the accounts of owners in the Registry of Securities in FBiH.

Municipal bonds, issued by the Municipality of Cazin, do not contain pre-emptive purchasing rights.

2.4. Total value of the municipal bonds placement

A total number of offered bonds is 10.000 (ten thousand) municipal bonds with a nominal value of 100 (one hundred) BAM per bond. The total value of the emission is BAM 1.000.000 (one million) or EUR 511.291,88 at middle FX rate determined by the Central Bank of Bosnia and Herzegovina.

2.5. Total value of previous placements

The Municipality of Cazin had not issued previously any securities, in form of borrowing to finance development projects.

2.6. The yield on municipal bonds

The bonds will carry a yield on the unpaid stake of principal on a fixed interest rate of 6% per year. The interest rate will be calculated semiannually as an annual interest rate of bonds.

2.7. Price and price arrangement of municipal bonds

The emission will be held on the Sarajevo Stock exchange, using the prevailing price method, and in accordance with the Regulations on public offerings by the Sarajevo Stock Exchange.

The municipality will sell the bonds at nominal value. The starting sale price of a bond is 100 BAM per bond, and the final price at which the buyers register and pay for the bonds will be determined on the Stock Exchange.

The brokerage house enters the sale order of municipal bonds in the amount of 10.000 lots at a price 100 BAM.

The buyers can enter purchase orders at a price that is equal or higher than the starting price.

The final price of the bonds is defined by the Sarajevo Stock Exchange after the registration process.

2.8. Placement and conduct of registration and payment of municipal bonds

When carrying out the placement on the stock exchange, the registration of securities is done by brokers by placing purchase orders for securities, and the completed registration is considered to be entering orders into a stock trading system, if the trading system accepts the purchase order.

After the completion of registration process, the Stock Exchange shall deliver a report of concluded transactions to all brokers who participated in the execution of transactions and to their depository banks.

The placement will begin on 11.06.2012 and lasts until 18.11.2012.

In case that there is a demand for more registered bonds than being offered in the public call, the exact arrangement of bonds will be made by the Stock Exchange, using the prevailing price method, and in accordance with the Regulations on public offerings on stock exchange.

Depository bank of professional intermediary who buys the bonds must transfer the payments and submit a list of buyers to the depository bank of the issuer not later than the next working day after the expiration of the deadline for payment of funds (three working days after completion of registration of municipal bonds).

2.9. Success limit of the placement

The placement will be considered as successful if at least 60% of the offered bonds is bought and registered.

2.10. Payment of principal and interest

The principal and interest will be paid through variable annuities (10 installments) with equal principal paying off. Annuities of municipal bonds of this emission are due to payment each six months after the emission was declared as successful by the Securities Commission of the Federation.

Principal will be registered in ten series. The bonds will be split amongst each investor in 10 series while applying the following rounding principle: the amount up to 0.5 (not including 0.5) will be rounded

to the smaller amount, and amounts higher than 0.5 (including 0.5) will be rounded to the higher amount. The rest of rounding will be added to the number of bonds in the last (tenth) series.

Payment of principal and interest will be done not later than 10 (ten) days after the maturity date of the annuity. In case of payment overdue, the municipality is required to pay penalties.

The maturity date of principal and interest is calculated from the day when the emission was declared as successful by the Securities Commission.

If the payment date of the annuity is a non-working day, payment will be done the next working day. Working days are defined by the Securities Registry and the commercial banks of the Federation of BiH.

Amortization plan of municipal bonds:

Number of annuity *	Nominal value of bonds	Interest rate	Days between two annuities	Amount of interest	Annuity	Principal	Principal payment	Remaining principal amount	Pool factor
1	1.000.000	6%	183	30.000,00	130.000,00	1.000.000,00	100.00,00	900.000,00	1,00
2	1.000.000	6%	183	27.000,00	127.000,00	900.000,00	100.00,00	800.000,00	0,90
3	1.000.000	6%	183	24.000,00	124.000,00	800.000,00	100.00,00	700.000,00	0,80
4	1.000.000	6%	183	21.000,00	121.000,00	700.000,00	100.00,00	600.000,00	0,70
5	1.000.000	6%	183	18.000,00	118.000,00	600.000,00	100.00,00	500.000,00	0,60
6	1.000.000	6%	183	15.000,00	115.000,00	500.000,00	100.00,00	400.000,00	0,50
7	1.000.000	6%	183	12.000,00	112.000,00	400.000,00	100.00,00	300.000,00	0,40
8	1.000.000	6%	183	9.000,00	109.000,00	300.000,00	100.00,00	200.000,00	0,30
9	1.000.000	6%	183	6.000,00	106.000,00	200.000,00	100.00,00	100.000,00	0,20
10	1.000.000	6%	183	3.000,00	103.000,00	100.000,00	100.00,00	0,00	0,10
	UKUPNO				1.165.000,00		1.000.000,00		

*dates are calculated from the day when the emission was declared as successful by the Securities Exchange Commission

Remaining share principal in nominal amount of securities (pool factor) is a coefficient which reduces the nominal amount of securities to the amount of remaining debt. At the maturity date of the principal, the owners shall charge the principal amount that is proportional to the amount of securities owned. Nominal amount of securities listed on the ownership position will not be reduced by reducing the amount of the remaining debt, but the share of outstanding principal in the nominal amount of securities (pool factor) will be reduced for the paid amount of the principal.

The remaining amount of principal within the nominal value of securities (pool factor) is shown as a decimal number, which can not be less than 0 or greater than 1. Remaining principal and the pool factor are calculated as follows:

Remaining principal = nominal value of the emission * pool factor. Initial pool factor = 1.

The initial pool factor is effective until the date of first payment of principal.

After the date of first payment of principal, pool factor for the period is calculated as follows:

Pool factor in the current period = pool factor in the previous period minus the percentage of principal that is paid on the date of last payment of principal.

2.11. Early redemption of municipal bonds

The Municipality of Cazin may at any time purchase municipal bonds at any price on the market or otherwise, provided that in case of a public purchase offer, such offer is equally available to all owners of municipal bonds.

None of the owners of bonds is obligated to accept the offer of the Issuer, nor is obligated to sell any number of his bonds.

The amount of bonds purchased by the issuer prior to the date of annuity payments can be excluded from the amount of outstanding bonds to the next date of annuity.

2.12. The delay with the payment of annuities

In the case payment delay of annuity, the issuer will pay a penalty interest for the period of the last day of the annuity payments (ten days after maturity date) until the date of actual payment

2.13. The delay with the payment of interest

In the case payment delay of interest, the issuer will pay a penalty interest for the period of the last day of the annuity payments (ten days after maturity date) until the date of actual payment. The penalty interest, that the issuer pays to bondholders, and based on the owners account balance in the Securities Registry, is calculated using the following formula:

$K = C \times p \times n / 100$ where:

K = penalty interest

C = amount of due interest and unpaid interest p = statutory penalty interest rate n = number of years

In the calculation of penalty interest for period shorter than 1 year, the number of calendar days and the following formula shall be used:

$K = C \times p \times d / 36.500$

For leap year: $K = C \times p \times d / 36.600$ where:

K = penalty interest

C = amount of due interest and unpaid interest

p = statutory penalty interest rate

d = number of days

2.14. The delay with the payment of principal

In case of delay of payment of principal from bonds, the issuer will pay a penalty interest calculated from the principal maturity date until the date of actual payment. The penalty interest, that the issuer pays to bondholders, and based on the owners account balance in the Securities Registry, calculated using the following formula:

$K = C \times p \times n / 100$ where:

K = penalty interest

C = amount of due interest and unpaid interest

p = statutory penalty interest rate

n = number of years

In the calculation of penalty interest for period shorter than 1 year, the number of calendar days and the following formula shall be used:

$K = C \times p \times d / 36.500$

For leap year:

$K = C \times p \times d / 36.600$

where:

K = penalty interest

C = amount of due interest and unpaid interest

p = statutory penalty interest rate

d = number of days

2.15. The purpose of raising funds

The aim of raising funds by issuing municipal bonds is financing the implementation of construction projects of business zones in the municipality of Cazin.

Funds will be used to resolve property issues and development of infrastructure in business zone "Ratkovac" in Čoralići.

This will provide conditions for investment and construction of new generating capacity in this area, which will allow further development of the community, create new jobs and indirectly increase revenue of the municipal budget through taxes and rents.

2.16. Price definition of bonds in the secondary market

The bonds will be listed on the official stock market of the Sarajevo Stock Exchange on the secondary market. Bond prices are based on the so-called "clean price", which means it does not include accrued interest. The price will be presented as a percentage of the nominal value of bonds. Payment after the completed purchase of bonds on the Stock Exchange will be done according to the price at which it was traded plus the accrued interest for the period since the last interest payment until the day of settling the transaction on the Stock Exchange (T +3), not including the day of settlement work.

2.17. The method of payment of principal and interest

Clearing and settlement in the secondary bond market will be done by the Registry of Securities of FBiH. Annuities that include interest and principal share will be paid within 10 days from the date of the annuity's maturity date. The commercial bank, at which the municipality has an open bank account, will pay the funds, received from the Municipality on behalf of the interest and principal and based on reports on the number of bonds owned by each investor, to each investor's account through the payment system. If the maturity date of principal, interest or other amounts arising from the bonds is a non-working day, the payment will be done on the next working day. Working days are defined by the Securities Registry and the commercial banks of the Federation of BiH..

3. PROJECT - BUSINESS ZONE "RATKOVAC"

3.1. The main purpose and goal of the business zone "Ratkovac" ¹

The main purpose of establishing a business zone "Ratkovac" as a permanent form of specific economic area is to support the development of entrepreneurship as the driving force for sustainable economic development, to increase the number of economic entities in the municipality, increasing competitiveness, increasing employment and increasing the share of manufacturing in the overall economy of the Municipality of Cazin. The main medium-term objectives of the project within 5 years are:

- Increase the number of small and medium enterprises by 4%
- Increasing the share of manufacturing in total economic activity of the municipality of Cazin by 15%
- Increase in exports by 20%
- Open a new 400 jobs in the zone and indirectly employment of up to 1,500 people

3.2. Social and economic preconditions for establishment of business zone "Ratkovac"

Transport connections - and the entire municipality of Cazin and Una-Sana Canton (USC) is located on a favorable transportation corridor line linking western Europe via the Mediterranean to the Middle East.

Natural resources and characteristics of area - the area of the Municipality possesses significant geological reserves of gypsum, tufo, quartz sand, limestone, clay and coal basin in the area of 120

¹ All informations about the foundation and establishment of Business zone „Ratkovac“ in Čoralići are referred to preinvestment study made by the company "Illyricum savjetovanje d.o.o." in Decembru of 2011.

square kilometers.

The structure of the population - estimated number of inhabitants in the municipality of Cazin in 2011. amounted to 62 632. Cazin is one of the most densely populated municipality in the Federation with a population density of 176 inhabitants / km². The share of working-age population (15-65 years) was 70.2%. The Municipality Cazin is extremely rural area where over 85% of the population lives in rural areas.

Infrastructure - After the war, significant funds were invested in the development of basic infrastructure, and this process is still ongoing. The Municipality of Cazin is located in the direction of future transportation corridor Xe (Karlovac - Cazin - Bihac - Sana M. - Jajce - Travnik - Sarajevo - Skopje). Trough Una river valley passes the railway line from Zagreb to Bihac - Bosanski Novi - Knin - Bihac), with distance of 178 km. Before the war it was the most efficient way to transport goods and passengers in the north-south direction. The closest airport located in Bosnia and Herzegovina is in Sarajevo (350 km), and in Croatia in Zagreb (140 km). In the surrounding area of Cazin there is an obsolete airport "Ćoralići" with a runway length of 1200 m with supporting facilities on which terrain was planned construction of the BZ Ratkovac. Power line network and the full coverage of households requires the construction, modernization and reconstruction of the distribution network, which would meet the needs of a growing number of users. Water supply is fully covered by the city water supply network "Ljubijankić" which is implemented in cooperation with the World Bank.

The structure and state of the economy - In the municipality of Cazin were 1765 registered legal entities and individuals to carry out business activities. For legal entities, the most represented activity is trade (57.5%), while private persons dominate in handicraft and commercial activities (67.7%). In 2010, the largest number of companies were in the wholesale and retail trade and maintenance (38%), followed by other service activity (18%), manufacturing (12%), transport and storage (7.4%) and construction (6.2%). Of the total number of registered private persons in 2010 most of them is in wholesale and retail trade and maintenance (28.7%), followed by restaurants (23%) and manufacturing (10.7%). Construction is engaged in 8.6%. Agriculture has traditionally been the main economic activity and source of income of the population of the Municipality of Cazin. A special place in agriculture takes livestock and cow's milk production. Cazin is currently the largest producer of milk in BiH. Although the municipality of Cazin offers continental tourism as an economic activity, Cazin is not significantly developed in tourism.

The entrepreneurial potential of the municipality - Business potential of Cazin is currently underdeveloped. It should be based on the entrepreneurial spirit of the population, long-standing tradition in agricultural production and the high concentration of shopping centers in the regional area.

Status and trends in the labor market - In 2010, most population was employed in trade, manufacturing and education. Agricultural activities also employs large number of people. The ratio of employment in the public sector in relation to the manufacturing sector, trade and service sectors was 2:1. The basic notion of the establishment of business zone "Ratkovac" is to change this situation. The average net salary in the municipality of Cazin amounted to BAM 664.14, which is lower than the average salary in B&H, in 2010. Lower operating costs can represent a competitive advantage in attracting domestic and foreign investment in labor-intensive industries such as textile industry, wood industry, metal processing industry, food industry and agriculture.

3.3. The construction development plan of business zone "Ratkovac"

Business zone "Ratkovac" in Ćoralići was established by a Decision of the Municipal Council of the Municipality of Cazin on 06.07.2011. with the purpose of creating conditions for economic development and entrepreneurship. BZ "Ratkovac" covers an area of 26.19 hectares or 261,934 sqm, and to the Spatial Plan of the Municipality of Cazin it is defined as a business area. Existing infrastructure in the Zone is not operational, but there are necessary preconditions to future infrastructure in the Zone, such as to the main lines connection to the power and water supply.

The land available for the business area "Ratkovac" is currently 100% privately owned, and the municipality of Cazin took numerous steps to purchase the land and to begin the cycle of investment in building the necessary infrastructure. The municipality plans to initially finance the purchase, equipping

of land and infrastructure through placement of municipal bonds in the amount of BAM 1,000,000.

So far, the municipality took over the numerous steps to accelerate the activities on the construction of the infrastructure. With the owners of land were conducted meetings where was presented them the Spatial Plan and future land use (business area). At the start a priority will be to contact the owners of larger size lots and with 100% property ownership. Interest of the landowners for sale or other form of compensation is at satisfactory level, due to the reason that the sole purpose of Zone will be to initiate economic activities and development of entrepreneurship with the aim of increasing the number of companies. Agriculture or residential development of that area is not possible any more.

Purchase of the land is scheduled to be conducted into two phases. The Municipal Council, for this purpose, passed the Decision on the purchase price determining the price of land at BAM 7,00 per m² in the first phase, with a tendency to increase prices in the next. In order to accelerate the activities of purchase the land owners were offered an option change it for another lot of land on attractive location or to start up a business solely or partner in the Area. For the purpose of building the infrastructure expropriation of the land is one of the option to.

Development of BZ "Ratkovac" was planned to go into three phases and includes putting into operation a total of 230 000 m² (23 ha). It is estimated total available usable area of 200,000 m² (20ha) for entrepreneurs, and the remaining 30,000 sqm (3ha) was provided for infrastructure in the Zone. The average lot size is estimated to be approximately 5,000 m², which means that the zone of could accommodate approx. 40 domestic and foreign investors. It is anticipated downsizing the average lots down to 1000 m².

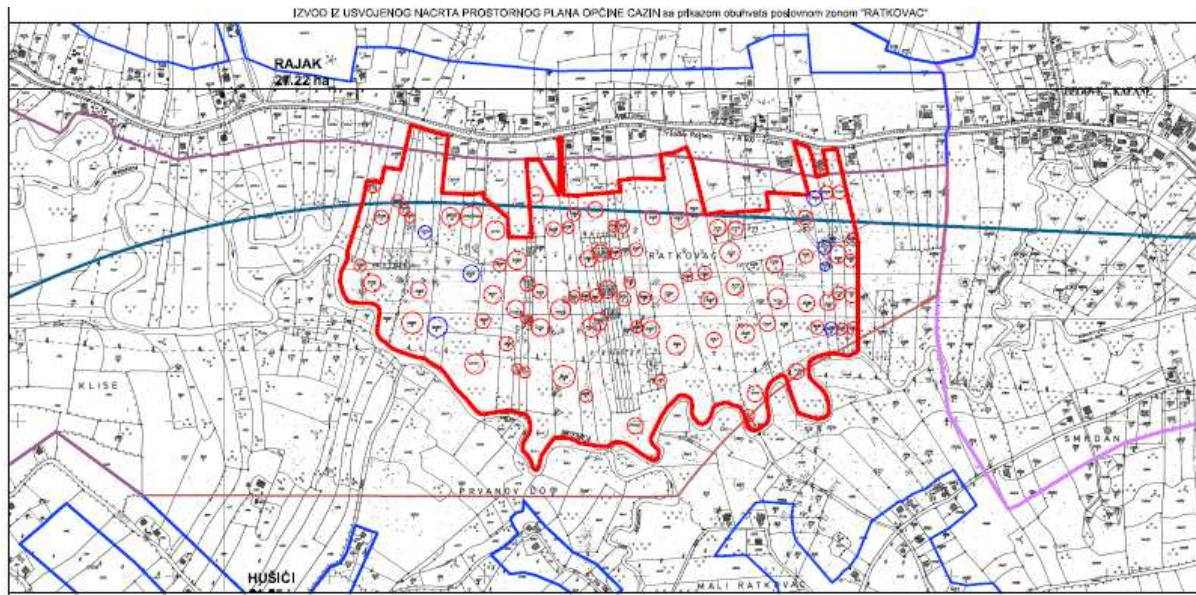
Targeted sectors include: agro - food sector, the wood-processing sector, metal-processing sector, textile sector and energy efficiency sector.

The dynamics of building a business zone Ratkovac is divided in three phases and is scheduled to last 36 months. The first phase is consisted to finish project documentation, partial acquisition / exchange of land and to start building the infrastructure (12 months), the second stage makes the final purchase of land and construction of infrastructure (12 months) and the third makes the final phase of infrastructure construction. Starting from 2012 in the next 12 months, is scheduled to make the project documentation, preparation of construction land, buy the first part of the land (11.7 hectares or 58.5% usable area of Zone) and begin the construction of infrastructure. In the next 12 months would conclude buying the rest of the land and continue to build infrastructure, and the final 12 months to finish infrastructure construction.

3.3.1. The current state of infrastructure in the locality Čoralić

Business Zone "Ratkovac" is located at the airport Čoralići with runway 1.200m that include additional facilities, which will be restored and available to future entrepreneurs in the business zone. Existing investments in airport runway "Čoralići" amounts to approx. BAM 300 000 is a good basis for building a major road communication in the inner zone. The Spatial plan of the business zone "Ratkovac" is given in Figure 1

Figure 1: Business Zone "Ratkovac"



3.3.2. Financial starting points of the project and the establishment of business zones "Ratkovac"

The basic starting point of financial analysis:

- Dynamic of building Project: 3 years (36 months)
- In 2012 : design, land acquisition / exchange of land, start building the infrastructure
- Construction time: 2013th, 2014th year
- Studied the life cycle of the project (financial analysis): 25 years;
- The start investing in the equipment of the zone: 2012;
- Completion of equipping the zones: 2014th year
- Discount rate: 5%, in line with the recommendations of "Guide to Cost-Benefit Analysis of Investment Projects" by the Evaluation Unit of the General Direction of policy of the European Commission,
- In accordance with international methodology CBA analysis and written material "Guide to Cost-Benefit Analysis of Investment Projects" by the Evaluation Unit of the General Direction of policy of the European Commission, the underlying investments do not include VAT and other fiscal taxes

3.3.2.1. The dynamics of investment in the business zone "Ratkovac" “

Tabela 1: The schedule of investment in the business zone "Ratkovac”

No.	Investment type	2012.	2013.	2014.	TOTAL (BAM)
1.	Pre-investment studies, project documentation, geodetic research, geological research	127.000	0	0	127.000
2.	Resolving property issues (land acquisition)	1.173.000	1.127.000	0	2.300.000
3.	Construction of transport infrastructure	0	215.500	100.000	315.500
3.1	Construction of access roads	0	25.000	0	25.000
3.2	Construction of internal road communication with the sidewalk	0	190.500	100.000	290.500
4.	Hydro technical infrastructure	0	374.845	505.155	880.000
4.1.	Building of water supply pipe line	0	80.000	0	80.000
4.2.	Sewerage system	0	294.845	505.155	800.000
5.	Electro-energetic infrastructure	0	70.000	0	70.000
5.1.	Relocation of power lines and construction of two pillars	0	20.000	0	20.000
5.2.	Installation of underground power line	0	50.000	0	50.000
6.	Cost of supervision (2% of the cost of residential land)	0	12.655	12.655	25.310
	TOTAL (BAM)	1.300.000	1.800.000	617.810	3.717.810

3.3.2.2. Sources of financing of investments in the business zone "Ratkovac"

In 2012 the activities are planned to purchase and prepare building construction site, which will be financed largely from debt (municipal bonds BAM 1,000,000), and partly from the budget grant of the Ministry of USC and / or the Federal Ministry of Labour and other donors (BAM 300,000).

In 2013, it is planned to complete activities related to land acquisition (11.7 ha) and to begin construction and infrastructure of the first phase. These activities will be funded from cash flows from sale of land to investors (BAM 1.800.000). At this stage, investors will pay the price of land of 15.34 BAM / m².

In 2014, it is planned to complete the acquisition of land and continue to build the infrastructure in the second phases. These activities will be funded from cash flows from sale of land to investors (BAM 800,000). At this stage, investors will pay the price of land of 24.46 BAM / m².

In 2015, it is planned the completion of the sale of the remaining fully equipped lots of the total size of 50,000 m². At this stage, investors will pay the price of land from 27.61 BAM / m², which should be sufficient to cover not only the cost of investment in equipping the business zone, but also the financing costs (interest costs and fees associated with the emission of municipal bonds).

Hence, the conclusion is to sell 117.300 m² of land at a price of 15.34 BAM/m² in 2013, 32.700 m² of land at a price of 24.46 BAM/m² in 2014. year and 50,000 square meters of land at a price of 27.61 BAM/m² in 2015. year.

The total financing structure would be the funds obtained from sale of the land (65%), placement of the bonds (27%), and other sources of funds (8%).

Table 2: The total financing structure of BZ Ratkovac in period 2012-2014. (BAM)

Year	Total investment value	Municipal bonds	Budget, Ministry of USC, others	Sales of the land *	TOTAL
2012	1.300.000	1.000.000	300.000	0	1.300.000
2013	1.800.000	0	0	1.800.000	1.800.000
2014	617.817	0	0	617.810	617.810
Structure of funding's		26,90%	8,07%	65,03%	100%

* Presuming the sale of 117.300 m² of land at a price of 15.34 BAM/m² in 2013, 32.700 m² of land at a price of 24.46 BAM/m² in 2014 year and 50,000 square meters of land at a price of 27.61 BAM/m² in 2015. year.

3.4. SWOT analysis of business zone "Ratkovac"

<p>Strenghts:</p> <ul style="list-style-type: none"> ▪ Location Zone ▪ Work force (availability, viability, flexibility) ▪ Agricultural facilities (tradition) ▪ Availability of local suppliers ▪ Teamwork ▪ Entrepreneurial spirit ▪ A dense population ▪ Competitive labor costs relative to surroundings ▪ Friendly environment for investors ▪ The possibility of expanding the business zone ▪ The creditworthines of the municipality ▪ Partnership between the municipality authorities and citizens ▪ Clean environment 	<p>Weakness:</p> <ul style="list-style-type: none"> ▪ Infrastructure (road and rail transport) ▪ Sales price of land per 1m² ▪ Adverse funding sources ▪ A complex and lengthy process of issuing necessary permits ▪ Lack of support for the business sector at the level of municipality (business plans, skills, education) ▪ Lack of experience regarding the establishment and management business zones ▪ Limited intervention ability of the local community ▪ Lack of incentives at the local community level ▪ Lack of land ▪ Lack of funds
<p>Oportunities:</p> <ul style="list-style-type: none"> ▪ Duty free zone ▪ Strengthening the regional market with the Croatia (the establishment of border crossings Tržanke Raštela) ▪ Possibility of use of national and international grants ▪ Possibility of land exchange with land owners in the business zone ▪ Entering Croatia into the European Union ▪ Building a modern infrastructure ▪ Adoption of the Law on Public Private Partnerships (actual rights and expand the competence of the local community) ▪ Changing legislation (Transfer of authority from the municipality of Canton) ▪ Expatriates basis (capital, knowledge and experience) ▪ Standards of Infrastructure Quality 	<p>Treaths:</p> <ul style="list-style-type: none"> ▪ Entering Croatia into the European Union ▪ The world recession ▪ Mismatch development strategies (municipality, canton-state) ▪ The political, legal and macro-economic risks ▪ Competition from other business zones ▪ Lack of institutional infrastructure (metrology and measurement) ▪ Lack of business infrastructure ▪ Lack of quality health care ▪ Lack of support of investors by from financial institutions

4. INFORMATION ABOUT THE EMISSION AGENT AND THE DEPOSITORY BANK

4.1. Agent of the issue

Agent: **Sparkasse Bank dd**
Head office: Zmaja od Bosne br. 7, 71000 Sarajevo
Telephone: +387 33 280 323
Fax: +387 33 280 237
e-mail: info@sparkasse.ba
web: www.sparkasse.ba

4.2. Depository bank

Depository bank: **Sparkasse Bank dd**
Head office: Zmaja od Bosne br. 7, 71000 Sarajevo
Telephone: +387 33 280 323
Fax: +387 33 280 237
e-mail: info@sparkasse.ba
web: www.sparkasse.ba

5. INVESTMENT RISKS AND CAUSES OF RISK

5.1. Basic information about involved risks

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

5.2. Systematic risk

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

Credit rating of Bosnia and Herzegovina* - the agency Moody's Investors Service changed Bosnia's credit rating to „B3". The agency Standard & Poor's u confirmed Bosnia's „B+" credit rating with a stable outlook in March 2012.

Table 3: Actual credit rating of BiH

	Moody's Investors Service	Standard & Poor's
Rating	B3 / on watch -negative outlook	B+ / stable outlook
Date	3. 4. 2012.	28. 3. 2012.
Activity	Outlook changed	Confirmed / outlook changed

* data taken from the web site of the Central Bank of Bosnia and Herzegovina (www.cbbh.ba)

5.3. Financial risks

5.4. Credit risk

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

5.5. Tax revenue risk

The tax revenue risk is included in the type and amount of the tax revenues of municipalities defined by law as sources of financing, which means that the revenues depend on the legally established sources and levels of economic activity which are imposed to taxation. Significant changes in either of these two factors, with the assumption of unchanged expenditures can lead to budget deficit of the Municipality.

5.6. Interest rate risk

Interest rates of this emission are adjusted to the level of interest rates in the financial market in BiH. The Cazin Municipality has no influence on the behavior of market interest rates, so that the growth in interest rates may cause a decrease in bond prices, which could negatively affect investors. Also, the decrease of interest rates may lead to higher bond prices which would have positive effects on investors.

5.7. 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 the case of change of EUR/BAM exchange rate till the day of final maturity of the bonds, residual annuities shall be recalculated and expressed in EURO terms based on the exchange rate of the Central Bank on the date of the exchange rate change.

The issuer shall be obligated to reimburse the remaining annuities in BAM applying the exchange rate of the Central Bank on the due date of an annuity, or on the day of the reimbursement.

5.8. Operational risk

Operational risk (information systems, procedures, human factors, documentation) is determined by the daily business of the Cazin Municipality.

6. BUSINESS ACTIVITIES OF THE ISSUER

6.1. About the municipality Cazin

The Municipality of Cazin is located in the north-western part of Bosnia and Herzegovina. The municipality is a constituent part of the Una-Sana canton in addition with other municipalities: Bihac, Bosanska Krupa, Bosanski Petrovac, Buzim, Sanski Most and Velika Kladusa. Today the municipality of Cazin has about 70,000 residents territorially organized in 23 local communities and covers an area of 356 km². The relative density is approximately 197 inhabitants per 1 km², which is why the municipality is one of the most densely populated in BiH. This area has a moderate continental climate with plenty of cold winters and warm summers with the considerable influence of local conditions.

6.1.1. History of the municipality

It is known that the Cazin area was inhabited in prehistoric times, as evidenced by the remains of various objects of clay, bone, stone, bronze and iron found in localities of Cungar, Gradina, Seliste etc. Some sources, based on excavations in Cungar, claim that this region was Neolithic settlements. These areas, as well as other parts of the Balkan, have long been ruled by the Romans. After the fall of the Western Roman Empire, several rulers over this area have changed (Byzantine, Hungarian, Bavarian, Croats, Turks, Austrians, etc.) Cazin was a part of the old state of Croatia and in 1522. it became the center of diocese of Knin. Several decades later, the Knin bishops were replaced by Turks who have conquered Cazin in 1576. The occupation of Bosnia by the Austro-Hungarian Empire was completed in this region. By the end of the 19th century, Cazin has assumed all the characteristics of a

city and becomes the center of the homonymous district, which encompasses the area of Cazin and Velika Kladusa.

6.1.2. Population

Cazin Municipality makes 54 settlements which are organized in 23 local communities. According to the last census in 1991. the municipality of Cazin had 63 406 inhabitants, of which 61 861 Bosniaks, 765 Serbs, 142 Croats, 638, and Other. The current population is estimated at 62 632 (30 June 2011), which represents a slight upward trend since 2005. g as shown in the following chart:

Tabela 4: Estimated number of population in Cazin in 2010 - 2011.

Year	Number of inhabitants	Age		
		0-14	15-65	65+
2010.	62.510	13.410	43.913	5.187
2011.	62.632	13.395	43.957	5.280

With a population density of 176 inhabitants / km ² (2011) Municipality of Cazin is one of the most densely populated municipalities in the Federation. The average population density of the Una-Sana Canton was 69.8 inhabitants / km ², while the average FBH was 89.5 inhabitants / km ² in 2010. year. According to the Federal Bureau of Statistics and the available data, the municipal administration, as a result of the war there have been slight changes in the ethnic structure of population.

6.1.3. Economy

Agriculture was traditionally the primary economic activity and source of income of the population of the municipality until 1972. The municipality possesses decent agriculture potential but despite that, Cazin is a leading producer of milk in the Una-Sana Canton (USC).

Today the municipality of Cazin has over 1.765 registered businesses conducted as legal entities or private persons (construction, retail, catering, etc.).

In 2010, the largest number of companies were in the wholesale and retail trade and maintenance (38%), followed by other service activity (18%), manufacturing (12%), transport and storage (7.4%) and construction (6.2%). Of the total number of registered private persons in 2010 most of them is in wholesale and retail trade and maintenance (28.7%), followed by restaurants (23%) and manufacturing (10.7%). Construction is engaged in 8.6%.

Table 5: Registered businesses in the municipality Cazin

Type of activity	Legal entities	Private persons	Total
Trade (wholesale, retail)	490	140	630
Catering and tourism	84	155	239
Craftsmanship, manufacturing and other activities	278	618	896
TOTAL	852	913	1.765

Table 6: Business activity of private persons

Type of activity - Private persons	2007	2008	2009	2010
Trade (wholesale, retail)	172	161	152	140
Catering and tourism	167	162	162	155
Craftsmanship, manufacturing and other activities	647	635	622	618
TOTAL	986	958	936	913

In further development of the economy of the Municipality Cazin, it is specialized for commercial purposes and have been planed to be developed of approximately 200 ha,.

These areas and business zones are provided for reference only and their exact scope and size will be defined by the spatial planning documents of lower rank.

In the municipality of Cazin, two newly formed business zones are emphasized:

- business zone „Ratkovac" in Čoralici, area of 26 ha.
- business zone „Slatinske bare", area of 2,4 ha.

6.1.4. Culture

Cazin is widely known for its cultural tradition and creativity and its valuable cultural and historical heritage.

Public Institution "Dom kulture" (home of culture) is a place of major cultural events in the area of the municipality. The public institution „Dom kulture" possesses and handles an international colony of the sculptors who have a specific gallery (gallery under the open sky), with holdings of over one hundred monumental sculptures. There is a large number of cultural societies that nurture the tradition and culture of this region and Bosnia and achieve a remarkable collaboration with other domestic and foreign cultural societies.

6.1.5. Education

There are 16 educational institutions that operate in the municipality of Cazin: one in the field of preschool, 11 elementary and four high schools - Gymnasium, Madrasah "Dzemaludin ef Causevic" and 1. and 2. secondary schools Cazin. A total of 9607 pupils attend these institutions.

6.1.6. Tourism

Cazin possesses continental tourism capacities. Cazin possesses 350 beds split amongst 1 hotel, 2 motels and 7 other buildings for accommodation and overnight stays. Tourists in Cazin can choose between several activities: hunting for small game, fishing, water sports, adventure air sports, spa and health tourism, religious tourism, and a rich gastronomic offer, unpolluted environment and clean water.

Table 7: Arivals and bookings of foreign tourists in USC

Foreign tourists in USC	2007	2008	2009	2010
Arivals	6.544	5.885	4.141	5.934
Bookings	12.074	9.352	6.972	9.485

6.1.7. Sport

Sports clubs are members of Sports association which currently has 54 active members, with a tendency to increase. Sports Association and its members use the space JU "Sports Center" Cazin, which has 1440 m2 of useful area. Great results are achieved by the Alliance for Sport and Recreation of Invalids of the municipality of Cazin (SSRI). A lot of attention is paid to sports and athletes, so a lot of entrepreneurs are directly involved in their active helping and sponsorship.

Also, there has been a qualitative improvement in the development of institutions and "leisure time" facilities. The largest part of the infrastructure related to sports facilities of the local communities. Currently there are only 6 out of 23 local communities without an arranged sport play ground. Special importance in all these projects has the self-initiative of citizens who invest at least 50% of own their funds.

The residents of the Cazin municipality can't meet the full capacity of their free to local communities, walkways, picnic areas, etc. are essential.

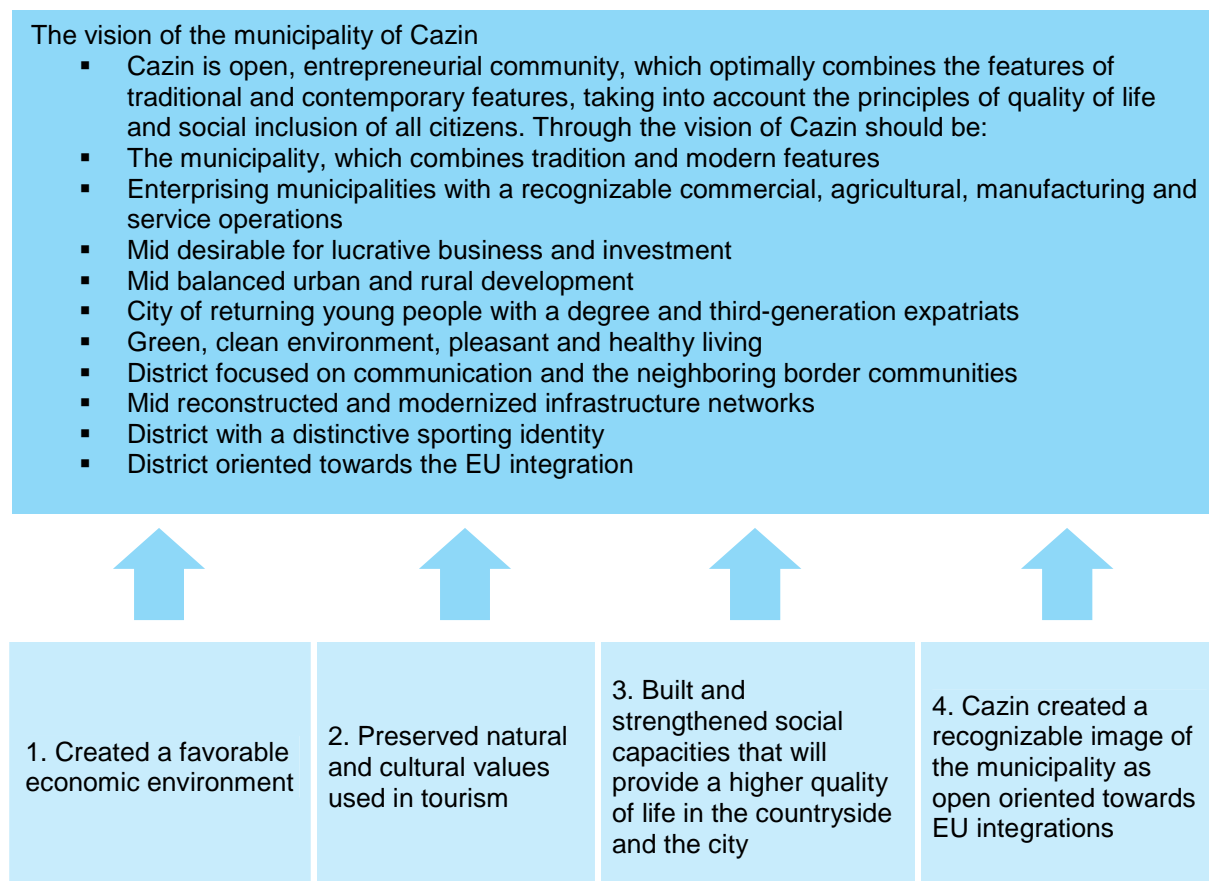
6.2. Development strategy for Cazin Municipality for 2017-2020 period

Integrated Development Strategy 2011-2020 is a key strategic planning document of the municipality of Cazin, which should encourage future growth and community development. The development strategy includes social, economic, environmental and spatial realm. The Strategy was developed as a framework to define common goals, encourage local forces, but also as a response to the challenges of the future development of the municipality and all life within it. As such, the Strategy for integrated development is in accordance with the strategies and policies at higher levels, primarily with the draft of the Development Strategy 2008-2013, the Social Inclusion Strategy 2008-2013, as well as

with other sector strategies at national, cantonal and entity level.

Development Strategy for the municipality of Cazin for the period 2011-2020 was made by municipality's development team within Integrated Local Development Project (ILDP) together with the Swiss Agency for Development and Cooperation (SDC) and United Nations Development Programme (UNDP) in the period January-December 2010. Technical support to the development team as part of this project was provided by the Development Agency Eda.

The strategy should serve as a handy document for future investors and donors. Based on indicators from the analysis of the existing situation, key issues and SWOT analysis, some of the components of the strategy were defined: vision, long-term objectives, priorities and measures.



Strategic objective 1. Creation of a favorable economic environment

Analysis showed that there is interest in investing in the municipality of Cazin by domestic and foreign investors, but some of them are still considering it. Measures and programs should attract investors, so that the municipality can offer better conditions than the present ones. The analysis itself indicates on problems that should be eliminated just by implementing programs and projects in a given area. Property issues in the area of the municipality of Cazin are marked as important issue which is a practical obstacle, whether concerning investments in commercial or residential buildings or resolving of infrastructural issues. Business environment of the Municipality is still not at a satisfactory level, which is a precondition for growth and economic development and entrepreneurship. Bracing it to a higher and qualitatively better level will ease the entry of products and services on a global scale into the market, and thus attract investment in this area.

SECTOR OBJECTIVE

- Developing small and medium enterprises (especially with a higher degree of finalization)
- The distribution of local products through the existing shopping centers

Strategic objective 2. Use of preserved natural and cultural values in tourism

Significant natural wealth and cultural and historical heritage, represent one of the most important comparative advantages of the municipality of Cazin, which would just be best to use. BThat is why a host relationship to nature and cultural-historical heritage is one of the most important strongholds of the strategy. Activities for the protection of nature means the establishing of ecological balance in the area, which permanently provides healthy and humane ecological living conditions and preserve natural treasures which are very common in this region. Activities for the protection of cultural and historical heritage should provide maintenance and improvement of as many of those values as possible for the local population, but also for those who visit Cazin.

What needs to be achieved in this area, is to make Cazin an interesting and, above all, an unique tourist destination with a distinctive identity. Cazin should become an area which welcomes guests from all around the world and establishes an intimate relationship with them and expresses and, at the same time, preserves all its natural and cultural-historical values and characteristics. To achieve this, one of the most important thing is that the population of Cazin, and especially those who run this municipality, accept the tourism industry and tourism as an important factor of economic development and long-term economic prosperity of the region. We must also be aware that prosperity through tourism can not be achieved without proper infrastructure and knowledge, education and new technologies amongst all participants in tourism.

SECTOR OBJECTIVE

- Developed tourism sector
- recultivation of degraded areas exploitation of mineral resources and mining
- reducing of mined areas in the northern part of the municipality until 2015
- Reducing of pollutant emissions in the city area by 15% until 2015
- Improvement of energy efficiency by 5% until 2015
- Establishment of environmental monitoring and increased awareness and knowledge of people about the environment until 2013

Strategic objective 3. Built and strengthened community capacity (human resources, infrastructure and facilities), which will provide a higher quality of life in the countryside and the city

According to the demographic research of the SEA, the municipality of Cazin is considered to be an extremely rural area and 85% of the total population lives in rural areas and only the narrow center of the municipality is considered as an urban area. Despite the considerable potential of rural areas in terms of working-age of the population, well developed infrastructure and available resources (land, water and forests), economic activities in rural areas, except agriculture, are not sufficiently developed. The reason for this lies primarily in the fact that farms, mostly live on agricultural production, which is not highly intensive and market-oriented. Although our data Social-economic analysis shows that a large part of the municipality of Cazin is covered with transportation infrastructure and roads, there is still need to work on connecting of settlements by constructing new roads. Also, there is a need for constant bus lines that will connect the various local communities with each other and with the center of the municipality. Despite the high coverage of households with electricity, there is a problem with poor low-voltage conditions and dilapidated low-voltage network, which requires the construction, modernization and reconstruction of the distribution network to meet the needs of the increasing number of users. In the distribution of electricity there are some issues of energy losses which have technical and commercial character. Technical losses occur mostly because of the time-worn structure of equipment in the distribution network and commercial losses are caused by more frequent abuse and unauthorized use of electricity by final consumers.

Most school buildings are time-worn and require reconstruction and change or supplement of basic and additional teaching resources to provide better education and improved student achievement. This strategic objective includes the modernization of sporting, cultural and educational facilities.

SECTOR OBJECTIVE:

- Increasing coverage of high-quality water supply to the entire population of the municipality until 2015
- Regulate 45% of wastewater and storm water until 2015
- Arrangement of 8 kilometers of riverbed until 2015
- The introduction of selective waste collection and removal of 70% of illegal dumps until 2014
- Well-developed sport facilities
- Improved conditions in preschool and primary education

Strategic objective 4. Create a recognizable image of Cazin as an open municipality oriented towards EU integration

The process of globalization and European integration is changing our life circumstances and becomes the way of life today. Regardless of some negative aspects of these integrations, their appearance should be accepted as a challenge for the opportunities that it offers for economic and social development, growth and prosperity. In line with these trends, Cazin will be built as a community where different people have different views and interests, and where rights of all people are protected allowing them to live together in peace. Generally speaking, the openness of the municipality will characterize by diverse and dynamic civil society and respect for minority rights.

One of the key things in the future will be the adoption of European values. Adopting of a value means its everyday use in politics, company, the media and in everyday life. Tolerance and respect for others, for example, are values that are important in politics, but also important in family, school, on the street. The rule of law is one of the most important European values - to stabilize it a change of approach in the management, establishment and strict compliance with regulations and fight against corruption is needed, but also the willingness of citizens to follow the rules. Also, the future of our company depends on the construction of competitiveness with the ability to achieve competitive advantage in the BiH market, as part of the European and global markets, and the overall global market. Fitting in with these flows is of strategic interest for the municipality of Cazin.

SECTOR OBJECTIVES:

- Participatory approach to strategic and operational planning
- Well-developed physical infrastructure and capacity for social and cultural activities of citizens
- Social and security support to endangered groups of populations

6.2.1. The objectives of economic development

The objectives of social development	Connection with the strategic objectives
1. Development of small and medium enterprises (especially those with a higher degree of finalization)	1. favorable economic environment created
2. Distribution of local products through existing shopping centers	1. favorable economic environment created
3. Developed tourism sector	1. favorable economic environment created 2. Preserved natural and cultural values which are used in tourism

Defined projects / measures of economic development are:

- Resolving property rights and construction of supporting infrastructure of business zones
- Promotion of investment opportunities in Cazin (design of catalogs for investors, promotion activities, fairs, etc.)
- Cheaper and simpler procedures for entrepreneurs and investors
- Establishment of Municipal Development Agency
- Support to business associations
- Support program for companies that introduce the system of standardization of production processes, products and services
- The project of identification and adoption of measures for the employment in the economy
- Program for support of agricultural producers (advisory services and subsidies)
- Establishment of general agricultural community
- Support of preparation of products for marketing and establishing partnerships with shopping malls and catering facilities
- Project of institutional support for the development and promotion of tourism (planning measures for the development of unique tourist attractions, with the active role of the private sector)
- Support the revitalization of old cities
- Decoration program for the old bazaar
- Development of tourist recreational center „Trzacka Jezera“

6.2.2. The development objectives of social development

The objectives of social development	Connection with the strategic objectives
1. Participatory approach to strategic and operational planning	Building and strengthening community capacity (human resources, infrastructure and facilities), which will provide a higher quality of life in the countryside and the city
2. Developed areas and infrastructure capacities for social and cultural activities of citizens	Building and strengthening community capacity (human resources, infrastructure and facilities), which will provide a higher quality of life in the countryside and the city
3. Developed sports infrastructure facilities	Building and strengthening community capacity (human resources, infrastructure and facilities), which will provide a higher quality of life in the countryside and the city
4. Improved conditions in preschool and primary education	Building and strengthening community capacity (human resources, infrastructure and facilities), which will provide a higher quality of life in the countryside and the city
5. Social and security support to endangered groups of populations	Building and strengthening community capacity (human resources, infrastructure and facilities), which will provide a higher quality of life in the countryside and the city

Defined projects / measures of economic development are:

- Creating of a development strategy for the NGO sector
- Support the development of the NGO sector and its involvement in development processes
- Development of strategies to communicate with citizens
- Regular surveys about citizen's satisfaction and needs
- Mapping and expatriates involvement in development processes
- Support mechanisms for establishment of NGOs
- Construction of House of Culture
- Construction of a multifunctional social-business center (old gymnasium)
- Construction of the youth center
- A new city library
- Development of project documentation for the new city stadium
- Construction of sports facilities in the municipality
- Construction of playgrounds for children
- Expanding the capacity of kindergartensMeasure: Providing material and technical prerequisites for classes in primary education
- Upgrading and reconstruction center for social work
- Establishing of Shelters
- Measure: Support for setting up services to help the elderly
- Construction of animal shelter
- Training of NGOs for the preparation of project proposals (PCM)

6.2.3. Objectives of environmental development

Objectives of environmental protection	Connection with the strategic objectives
1. Increasing coverage of high-quality water supply to the entire population of the municipality until 2015	3. Built and strengthened community capacities (human resources, infrastructure and facilities), which will provide a higher quality of life in the countryside and the city
2. Regulation of 45% of waste and storm water until 2015	3. Built and strengthened community capacities (human resources, infrastructure and facilities), which will provide a higher quality of life in the countryside and the city
3. Arrangement of 8 kilometers of riverbed until 2015	3. Built and strengthened community capacities (human resources, infrastructure and facilities), which will provide a higher quality of life in the countryside and the city
4. The introduction of selective waste collection and removal of 70% of illegal dumps until 2014	3. Built and strengthened community capacities (human resources, infrastructure and facilities), which will provide a higher quality of life in the countryside and the city
5. Reclamation of degraded surfaces by exploitation of mineral resources and removal of mines in the northern part of the municipality until 2015	Preserved natural and cultural values used in tourism Built and strengthened community capacities (human resources, infrastructure and facilities), which will provide a higher quality of life in the countryside and the city
6. Reducing of polluting substances in the metropolitan area by 15% until 2015	Preserved natural and cultural values used in tourism Built and strengthened community capacities (human resources, infrastructure and facilities), which will provide a higher quality of life in the countryside and the city
7. Improving energy efficiency by 5% until 2015	The connection with the strategic objectives 2 and 3 (as mentioned above) and the 1st objective: 1. A favorable economic environment created
8. Establishment of environmental monitoring and population's increased awareness and knowledge about the environment until 2013	3. Built and strengthened community capacities (human resources, infrastructure and facilities), which will provide a higher quality of life in the countryside and the city

Defined projects / measures of environmental development are:

- Creating a strategy for development of the NGO sector
- Support the development of the NGO sector and its involvement in developmental processes
- Development of strategies to communicate with citizens
- Regular surveys about citizen's satisfaction and needs
- Mapping and expatriates involvement in development processes
- Support mechanisms for establishment of NGOs
- Construction of House of Culture
- Construction of a multifunctional social-business center (old gymnasium)
- Construction of the youth center
- New city library
- Development of project documentation for the new city stadium
- Construction of sports facilities in the municipality
- Construction of playgrounds for children
- Expanding the capacity of kindergartens

6.3. Budget of the Municipality

The budget as a monetary expression of all planned activities of specified levels of administration. Municipal budget is an estimate of annual revenues, receipts and financing, and annual expenditures and costs of the municipality.

6.3.1. The process of preparation, adoption and transaction of budget

Municipal budget is prepared, adopted and transacted in accordance with the Law on the budget in FBiH ("Official Gazette of FBiH", No. 19/06, 76/08, 5 / 09, 32/09, 36/10 and 45/10). Adoption of the budget is done in accordance with the term action plan as shown in the following tabular overview.

No.	Action	Term of realization
1.	Making a budget request forms and instructions for users to prepare applications for funds from the budget.	20th July
2.	Organizing meetings with budget customers regarding the preparation of budget requests.	1st August
3.	Collection - delivery of budget users' requests.	20th September
4.	Drafting of budget plan with medium expenditure framework for the three years.	20th September
5.	Drafting of plans of the Department of Finance and Accounting and referral to the Municipal Mayor.	1st October
6.	Delivery of the budget draft to the Municipal Council and the Budget Framework Paper with the medium-term approximate expenditure for three years.	1st November
7.	Adoption of the proposed budget by the MC.	December

Adoption of the budget requires the prior collection of applications of budget users, holding of meetings with them and preparing of the budget's draft which is submitted to public debate. After the public debate, the final budget proposal is made, which includes objections and suggestions from the public debate. The Mayor sends budget proposal to the Municipal Council for adoption, which is done by the end of the year for the next fiscal year. Otherwise, a decision on temporary financing is made, which is applied to the budget, but only until the end of March.

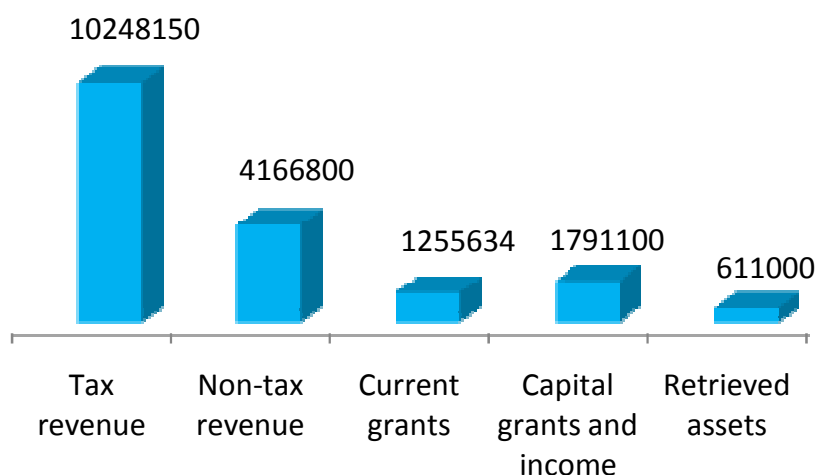
6.3.2. Budget revenues

Municipal budget revenues consist of tax and non tax revenues, and capital and current grants. Structure of total revenue receipts in the plan for 2012 is shown in the following tabular and graphical viewing:

Tabela 8: Structure of total revenue receipts for 2012

Type of revenue	Plan for 2012	
	Amount	Procent
Tax revenue	10.248.150	56,7%
Non-tax revenue	4.166.800	23,1%
Current grants	1.255.634	6,9%
Capital grants and income	1.791.100	9,9%
Retrieved assets	611.000	3,4%
Total	18.072.684	100,0%

Chart 1. Planned revenues and receipts for 2012



Indirect taxes (VAT) is the most important group of budget revenues, which now amounts close to 41% of total revenue receipts. It represent a stable and institutionally fully regulated revenue that will continue to form the basis of the municipal budget. The key of distribution is defined by the Federation, which, as such, provides stability of income for municipalities.

Other tax revenues also represent a stable income of the municipal budget. The most important item in this group of revenues is the tax on income, which will be increased compared to the previous years due to inflationary trends, and the real increase in tax base. The group of tax on property consists of two parts that differ significantly in terms of achievement and in their planning. Tax on property is a stable municipal revenue whose base can adequately be projected. In the long run, there were no significant changes to its base or rate, so this item has a certain continuity of works and does not anticipate any significant deviation in the coming year.

Non-tax revenues represent the original revenue budget of the municipality and they largely depend directly from the activities of municipal administration. Certain variations within this group of revenues are caused by changes in the legislation and decisions of municipal councils which regulate this area. The largest share of this group records a steady growth and stability. The most important items of communal and administrative fees and charges represent a significant, very stable and growing earnings, which will continue to be one of the basics of the budget.

Bearing in mind the aforementioned stability of income and the expected recovery of economic activity and investment, we can expect further growth in the forthcoming medium-term. Stable sources of the Municipality's income will enable the realization of planned activities and implementation of objectives from the Municipality's strategy, which should improve conditions for business and living in the municipality, provide new employment, attract new investors, and generally contribute to improving the quality of life for the population.

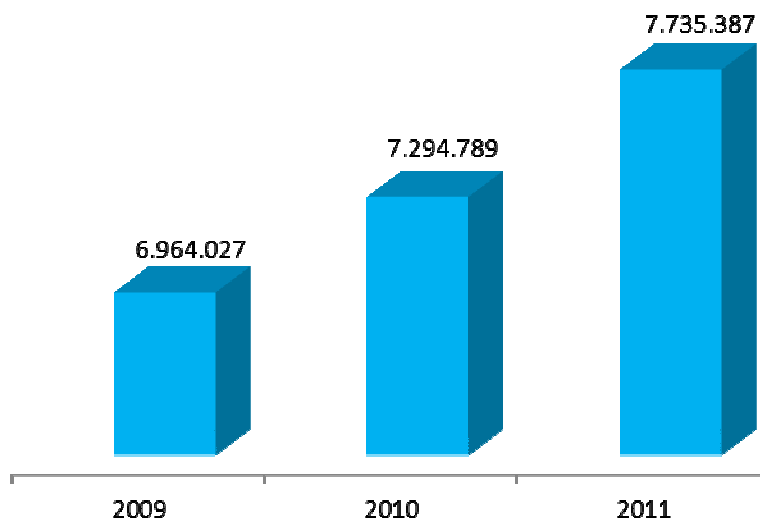
6.3.3. Balance sheet

Position	31. 12.2010.	31. 12.2011.	Index (4/3)
I Assets			
A. Cash, short-term receivables, accruals and reserves	2.292.137	2.244.906	97,94
Cash and precious metals	1.021.251	610.201	59,75
Securities	1.048.289	1.048.289	100
Short-term receivables		585.275	
Short-term placements	212.597		
ST accruals	10.000	1.141	11,41
B. Fixed assets	6.591.156	6.539.586	99,22
Long-term accruals	0	0	0
Total assets	8.883.293	8.784.492	98,89
II PASSIVE			
A. Short-term liabilities and accruals	978.762	1.376.149	140,60
Short-term current liabilities	295.301	540.635	183,08
Liabilities arising from securities	18.417	37.110	201,50
Short-term loans and borrowings	665.044	419.115	63,02
ST accruals	0	379.289	
B. Long-term liabilities and accruals	6.591.156	6.373.901	96,75
Long-term loans and borrowings	1.415.000	1.497.744	105,85
Other long term liabilities	5.176.156	4.876.158	94,20
C. Sources of funds	1.313.375	1.034.442	78,76
Sources of permanent funds	1.478.846	1.310.995	88,65
Sources of other funds	11.200		
Unlisted surplus of expenditures over revenues	176.671	276.553	156,54
TOTAL liabilities and funds sources	8.883.293	8.784.492	48,84

6.3.4. Tax revenues

In 2011 tax revenues amount of BAM 7.735.387 which represent % of annual plan. In 2010, tax revenues were achieved in the amount of BAM 7,294,789.00, which represents 93% of the annual plan and 104.75% compared to the achieved revenues in the previous year. In the previous year (2009.) tax revenues were achieved to 71% compared to an annual plan that was 6,964,027.25 KM.

Chart 2: Tax revenues in 2009 - 2011.



In 2011, income tax of individuals and companies in the group of tax revenue was achieved in the amount of 34.040 KM or 235% of the planned level of these revenues in 2010. Income tax of individuals and companies in the group of tax revenue was achieved in the amount of 12,894.80 KM or 54% of the planned level of these revenues in 2010. The achievement of these revenues in 2009. amounted to 247,752.03 KM.

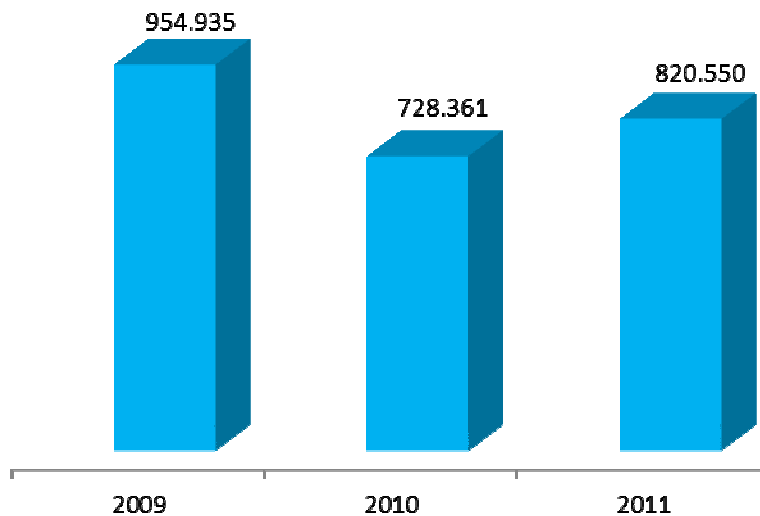
In 2011, taxes on payroll of workforce were achieved in the amount of BAM 13.917. In 2010, taxes on payroll of workforce were achieved in the amount of 22.973 or 574% above the planned level of these revenues. The realization of these revenues in 2009 amounted to 17,647.98 or 47% above the planned level of these revenues. The realization of these revenues in 2008 was 855,429.36 KM.

This achievement is the result of the changed regulations in the field. Specifically, the obligations arising from taxes on salary and other personal income, additional income tax, tax on profits from commercial and professional services, taxes on income from agricultural activities, taxes based on copyright, patents and technical improvements, the tax on total income of natural persons, taxes on wins from games on chance, including reprogrammed obligations, obligations set out in the process of forcible collection and obligations set forth in the Inspection of control of legal persons related to the period up to 31.12.2008. Payment and disposition of these taxes is done according to regulations in force until that date.

In 2011, taxes on property achieved a total of KM 820.550 or 90% of the planned revenues. In 2010, these taxes on property achieved a total of KM 728,361.41 or 61% of the planned revenues. In 2009, the achieved amount was 954,934.98 or 71% of planned revenues. In this group of revenues, unlike previous years, the most important item was not the tax on real estate, but property taxes. The achieved property tax was 402,920.27 or 88% of planned revenues.

In 2011, taxes on real estate achieved a total of KM 396.116 or 88% of the planned revenues In 2010, tax on real estate was 315,199.31 or 45% of planned revenues. In the previous year, these revenues were BAM 629,701.90. This significant decrease of taxes on real estate is certainly a result of reduced volume of economic activity as reflected in the sale of property in the municipality of Cazin.

Chart 3: Property tax in 2009 - 2011



In 2011, domestic taxes on goods and services were BAM 15.326 or 1532% of planned revenue. In the previous two year these revenues were 8.877 BAM or 89% and 22.662 BAM, respectively.

These are obligations arising from taxes on goods and services, including reprogrammed obligations, the obligations laid down in the process of forcible collection and obligations under the Inspection of control of legal persons related to the period up to 31.12.2005. years and they are paid to the Public Revenue cantons and municipalities.

The cantonal treasury allocates these revenues to cantonal and municipal budgets in proportion and manner determined by cantonal regulations governing the allocation of revenue from taxes on goods and services.

Revenues from taxes on personal income relating to income from employment and to occupation, income from self-employment, income from property and property rights, income from capital investments, income from profits earned by taking part in competitions and games of chance are calculated in accordance with the Law on Income Tax ("Official Gazette of the Federation BiH", no. 10/08 and 9 / 10) and the Regulations on the implementation of the Law on Income Tax ("Official Gazette of Federation BiH", no. 67/08 and 4 / 10) and paid into the account of public revenue budget of Canton, at the level of each municipality.

The cantonal treasury allocates these revenues to cantonal and municipal budgets in proportion and manner determined by cantonal regulations governing the allocation of revenue from taxes on goods and services.

Income tax in 2010 was 669,463.49 or 103% of planned revenues. These revenues increased by 12.7% in comparison to the previous year (593,609.51).

In 2011, the collected amount of indirect taxes (VAT) was 6.105.249 or 95,69% of planned revenues. In 2010, the collected amount of indirect taxes (VAT) was 5.850.701,74 or 98% of the planned revenues. In the previous year the collected VAT was 5.120.116,06 BAM which is 13% less compared 2009 and 10,89% compared to 2008 (5.745.737,47 BAM). This is the result of relative recovery from the global crisis and the overall reduction in revenue collection at the state level in 2009 and due to increased percentage of participation of the Cazin Municipality in the total indirect revenues in accordance with the Law on Public Revenue in the Federation BiH.

Chart 4: Indirect taxes in the last 4 years

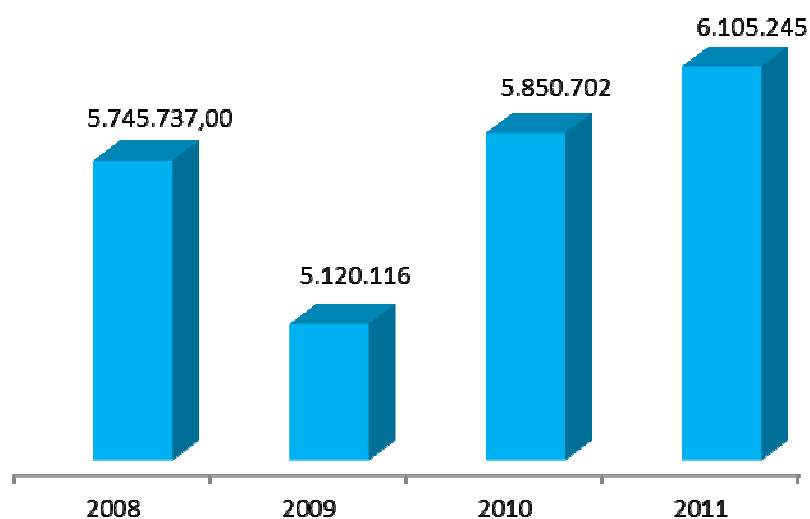
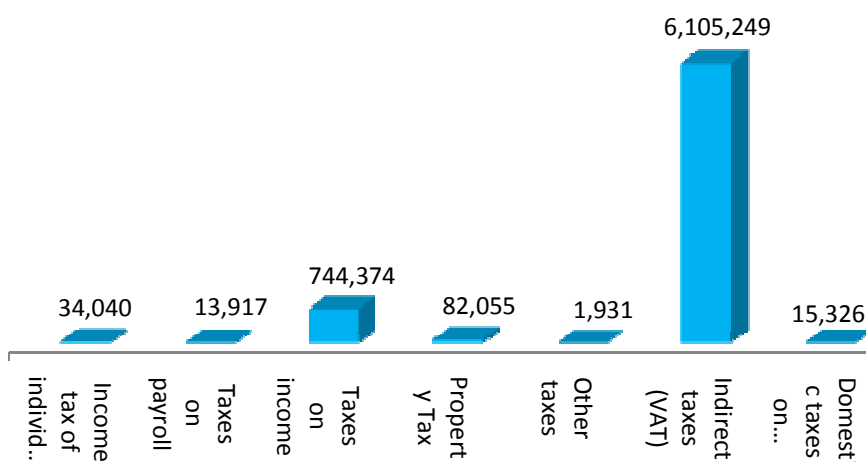


Table 9: Structure of tax revenues

DESCRIPTION	REVENUES IN 2008	REVENUES IN 2009	REVENUES IN 2010	PLAN FOR 2011	REALIZATION IN 2011
TAX REVENUES	9.117.452	6.964.027	7.294.789	8.062.500	7.735.387
Income tax of individuals and companies	446.949,29	247.752	12.895	14.500	34.040
Taxes on payroll and workforce	855.429,36	17.648	22.974	5.000	13.917
Property Tax	1.870.774,88	954.935	728.361	910.000	820.550
Domestic taxes on goods and services	88.134,47	22.662	8.877	1.000	15.326
Taxes on income	0	593.610	669.463	750.000	744.374
Indirect taxes (VAT)	5.745.737,47	5.120.116	5.850.702	6.380.000	6.105.249
Other taxes	110.427,48	7.304	1.517	2.000	1.931

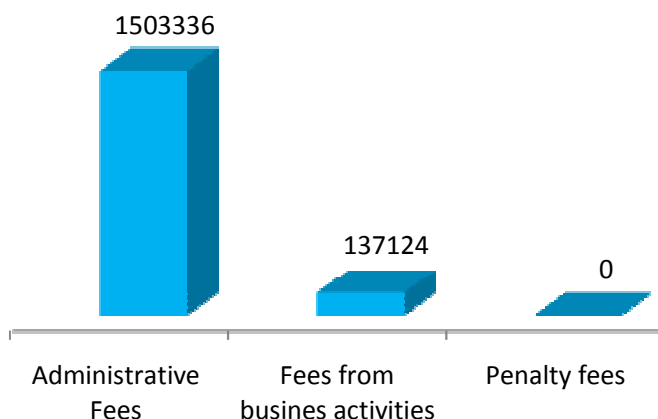
Chart 5. Structure of tax revenues in 2011



6.3.5. Non-tax revenue

In 2011, non-tax revenues amounted BAM 1.640.460 KM or 55% of planned tax revenues. In 2010, non-tax revenues were 1.483.468,25 BAM or 49% of planned revenues. Compared to 2009 it increased by 3,13% (1.438.333,93 BAM).

Chart 6: Structure of non-tax revenues in 2011



6.3.6. Expenditures

In terms of Article 74 of Law on Budgets in the Federation of Bosnia and Herzegovina, the expenditures of the Cazin Municipality are presented in accordance with the provisions of Article 7 Paragraph 2 Subparagraph A - D of this Act and consist of:

- Compensation of employees, such as current expenditures for salaries, fees, expenses for supplies and services,
- Current transfers and interest payments,
- Expenditure on subsidies, assistance and compensation
- Capital transfers.

Table 10: Plan of expenditures for 2012

Description	Plan for 2012. godinu	
	Amount	Percent
Salaries and allowances of employees	3.990.231	22,1%
Contributions of employer	329.050	1,8%
Expenses for goods and services	1.813.353	10,0%
Current transfers (grants)	4.387.500	24,3%
Capital grants	2.546.000	14,1%
Expenditures for the purchase of fixed assets	254.000	1,4%
Repayments of debt	3.402.550	18,8%
Commitments from the previous period - the reduction of liquidity	1.350.000	7,5%
TOTAL	18.072.684	100 %

In 2011, total expenses, including financing from the proceeds and the transfer of cash from the previous year in the budget for 2011, are planned in the amount of 13.771.252 KM, and realized in the amount of 11.610.502 KM which is 84,31% of the planned amount. In 2010, total expenses, including financing from the proceeds and the transfer of cash from the previous year are planned in the amount of 13,107,900 KM, and realized in the amount of 10,706,411.34 KM which is 81.68% of the planned amount. Expenditures made in 2009 amounted to 67.99% compared to the planned level.

Table 11: Realized expenditures compared to the planned expenditures in 2010 and 2011

Description	Realized 01. 01. - 31. 12. 2010.	Percent (%)	Realized 01. 01. - 31. 12. 2011.	Percent (%)
Salaries and allowances of employees	3.338.366	31,18	3.939.258	98,52
Contributions of employer	264.645	2,47	348.177	105,51
Expenses for goods and services	835.553	7,8	1.431.998	95,4
Current transfers (grants)	3.665.366	34,24	2.754.075	72,33
Capital grants	1.518.676	14,18	1.295.423	73,4
Expenditures for the purchase of fixed assets	672.934	6,29	693.952.02	46,53
Repayments of debt	320.556	2,99	348.100	98,98
Commitments from the previous period - the reduction of liquidity	90.314	0,84	799.520	99,94
TOTAL	10.706.411	81,68	11.610.502,	84,31

All expenditures are in accordance with the adopted budget for 2010. ("Official Gazette of Cazin Municipality", No. 10/01) and Decision on the execution of the budget for 2010. ("Official Gazette of the municipality of Cazin," No. 10/01), in a completely transparent way.

Also the process of purchase of goods, services and works are carried out in accordance with the Law on Public Procurement Law ("Official Gazette" No. 49/04, 19/05, 52/05, 08/06, 24/06, 70 / 06, 12/09 and 60/10).

6.4. Report on budget execution of the Cazin Municipality for period 2008 - 2011

6.4.1. Budget execution in 2008

Table 12: Revenues, receipts and funding by groups in 2008

No.	TYPE OF INCOME, RECEIPT AND FUNDING	PLAN FOR 2008	EXECUTION FOR 2008	EXECUTION PERCENT
1	Tax revenues	7.915.000	9.117.452	115
2	Non-tax revenues	1.868.000	3.035.978	163
3	Capital grants and earmarked revenues and receipts	2.700.000	1.981.368	71
4	Transferred funds	2.417.000	2.359.872	98
TOTAL		14.900.000	16.494.672	111

Table 13: Expenditures and loan repayment in 2008

No.	TYPE OF EXPENDITURE	PLAN FOR 2008	EXECUTION FOR 2008	EXECUTION PERCENT
1	Gross wages and salaries	3.267.400	3.252.577	92,34
2	Assets for materials and services - expenditures of administrative bodies	893.700	842.102	94,23
3	Current grants (transfers), interest and reserve funds	3.717.800	3.559.479,	95,74
4	Capital grants (transfers) and expenditures and repayment of loans	6.626.500	5.729.470	84,40
TOTAL		14.900.000	13.383.629	89,82

6.4.2. Budget execution in 2009

Table 14: Revenues, receipts and funding by groups in 2009

No.	TYPE OF INCOME, RECEIPT AND FUNDING	PLAN FOR 2009	EXECUTION FOR 2009	EXECUTION PERCENT
1	Tax revenues	9.826.100	6.964.027	71
2	Non-tax revenues	2.583.600	1.444.032	56
3	Capital grants and earmarked revenues and receipts	1.970.000	735.246	35
4	Transferred funds	3.111.100	3.134.320	100,75
TOTAL		14.900.000	14.900.000	70,19

Table 15: Expenditures and loan repayment in 2009

No.	TYPE OF EXPENDITURE	PLAN FOR 2009	EXECUTION FOR 2009	EXECUTION PERCENT
1	Gross wages and salaries	4.185.000	3.437.446	82,34
2	Assets for materials and services - expenditures of administrative bodies	1.734.000	1.574.288	90,79
3	Current grants (transfers), interest and reserve funds	4.701.650	3.017.159	64,17
4	Capital grants (transfers) and expenditures and repayment of loans	6.870.150	3.863.769	56,43
TOTAL		14.900.000	17.490.800	67,99

6.4.3. Budget execution in 2010

Table 16 : Revenues, receipts and funding by groups in 2010

No.	TYPE OF INCOME, RECEIPT AND FUNDING	PLAN FOR 2010	EXECUTION FOR 2010	EXECUTION PERCENT
1	Tax revenues	7.880.000	7.294.789	93
2	Non-tax revenues	3.014.900	1.483.468	49
3	Capital grants and earmarked revenues and receipts	1.680.000	1.521.305	91
4	Transferred funds	533.000	532.190	99,85
TOTAL		14.900.000	13.107.900	83

Table 17: Expenditures and loan repayment in 2010

No.	TYPE OF EXPENDITURE	PLAN FOR 2010	EXECUTION FOR 2010	EXECUTION PERCENT
1	Gross wages and salaries	3.868.400	3.603.010	99,87
2	Assets for materials and services - expenditures of administrative bodies	920.000	835.552	90,82
3	Current grants (transfers), interest and reserve funds	4.842.500	3.665.366	75,69
4	Capital grants (transfers) and expenditures and repayment of loans	3.477.000	2.602.481	74,39
TOTAL		14.900.000	13.107.900	81,68

6.4.4. Budget execution in 2011

Table 18: Revenues, receipts and funding by groups in 2011

No.	TYPE OF INCOME, RECEIPT AND FUNDING	PLAN FOR 2011	EXECUTION FOR 2011	EXECUTION PERCENT
1	Tax revenues	8.062.500	7.735.386	96
2	Non-tax revenues	3.001.900	1.640.459	55
3	Capital grants and earmarked revenues and receipts	1.620.000	464.305	11
4	Transferred funds	1.086.852	1.022,237	94,05
TOTAL		14.900.000	13.771.252	79%

Table 19: Expenditures and loan repayment in 2011

No.	TYPE OF EXPENDITURE	PLAN FOR 2011	EXECUTION FOR 2011	EXECUTION PERCENT
1	Gross wages and salaries	4.328.500	4.287.434	98,52
2	Assets for materials and services - expenditures of administrative bodies	1.501.000	1.431.997	95,40
3	Current grants (transfers), interest and reserve funds	3.807.900	2.754.074	72,33
4	Capital grants (transfers) and expenditures and repayment of loans	4.133.852	3.136.995	73,40
TOTAL		14.900.000	13.771.252	84,31

6.5. An overview of key investments

Key investment projects in the area of the municipality Cazin are:

- Decoration of the central city square - approximately BAM 1.9 million
- Construction of a decentralized sewer system in the local community Ljubijankici - approximately 800 000 BAM
- Drafting of feasibility study and main project for main sewer system - approximately 1.5 million BAM
- The construction of the first phase of the main sewage collector - BAM 350.000

6.6. Indebtedness of the Municipality Cazin as of 30.3.2012

Loan exposures

CREDITOR	Development bank of F BiH – Quvait fund	Unicredit bank
Amount of loan	4.985.097 KM	1.500.000 KM
Remaining debt	3.847.426 KM	1.128.971 KM
Tenor (years)	22	5
Interest rate	3,50%	6,62%
Payment method	Semiannual	monthly

Financial leasing exposures

	Unicredit Leasing	Hypo Leasing	Hypo Leasing	Hypo Leasing
Amount of loan	336.762 KM	23.266 KM	23.266 KM	54.700 KM
Remaining debt	176.735 KM	17.850 KM	17.850 KM	41.055 KM
Tenor (years)	5	3	3	3
Interest rate	7%	6,26%	6,26%	6,26%
Payment method	monthly	monthly	monthly	monthly

6.7. Litigation processes

Currently, there are no litigation processes against the Cazin municipality that would eventually threaten the liquidity of municipal budget.

6.8. Number of days when business accounts were blocked

Business accounts of the budget of the Municipality of Cazin were not blocked in the past five years.

6.9. Issued guarantees

	To World bank for a loan granted to JKP Vododvod d.o.o. Cazin
Amount of guarantee	1.625.687 SDR
Remaining debt	1.625.687 SDR
Repayment period (years)	22
Interest rate	2%
Grace period	15.04.2013
Payment method	semiannual

7. INFORMATION ABOUT THE AUTHORIZED PERSONEL OF THE MUNICIPALITY

7.1. Name, qualifications and CVs of authorized personnel of the issuer

Municipality mayor - Nermin Ogrišević

Born 19.12.1972. in Cazin. Graduated Primary and secondary education in his hometown. Graduates at the Faculty of Economics at the Tuzla Univesity in 1999.

Working experience:

Privredna banka d.d. Bihac, 1999-2001

Fund Management Company "KAPITAL INVEST" Bihac, 2001-2002

Public company "Komunalije", 2002-2003

Member of the Assembly at the Una-Sana canton 2003-2004

Municipality mayor of Cazin in his first mandate 2004-2008 and in his second mandate after the elections in 2008

Haris Coralić - Chairman of the Municipal Council

Haris Coralic was born on 20.09.1982, in Cazin, as the first of three children from his father Hasan and mother Zemka. He graduated at elementary school in Sturlic, and secondary madrasa "Dzemaludin Causevic" in Cazin in 2001. In the same year he started his education at the Faculty of Islamic Studies in Sarajevo.

Work experience:

Secondary school „dr. Husein Dzanic" in Velika Kladusa, 2005-2007 "II Secondary school" Cazin 2008 – till present day.

At the local elections in 2008 he was elected as a Municipal Councillor, and on 24.02.2010. he was named as Chairman of the Municipal Council.

8. STATEMENT OF INVESTMENT

The objective of raising funds by issuing municipal bonds is financing the implementation of projects of construction of business zones in the municipality of Cazin.

Funds will be used for planning of infrastructure of the business zone "Ratkovac" in Coralici and making it available for end-use.

Doing so will create conditions for investment and construction of new generating capacities in this area, which will allow further community development, job creation, and indirectly increase the income of the municipal budget through municipal taxes, rents and tax revenues.

9. STATEMENT SIGNED BY AUTHORIZED PERSONS OF THE ISSUER

In our opinion and according to our information and data, we declare that all information in this prospectus represent a true and fair view of assets and liabilities, financial position and business activities of the issuer, rights contained in the securities to which they relate and all facts that could affect the completeness and veracity of this prospectus are not disregarded.

Predsjedavajući Općinskog vijeća Cazin: 

Načelnik Općine Cazin: 

