



BOSNIA AND HERZEGOVINA

TECHNICAL ASSISTANCE REPORT—GOVERNMENT FINANCE STATISTICS MISSION

January 2018

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BOSNIA AND HERZEGOVINA

TECHNICAL ASSISTANCE REPORT ON THE GOVERNMENT FINANCE STATISTICS MISSION

(OCTOBER 3–5, 2016)

Prepared by Deon Tanzer

March 2017

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ACRONYMS

BHAS	Agency for Statistics of Bosnia and Herzegovina
CBBH	Central Bank of Bosnia and Herzegovina
<i>ESA 2010</i>	<i>European System of National and Regional Accounts 2010</i>
EDP	Excessive deficit procedure
GFS	Government finance statistics
<i>GFSM 2014</i>	<i>Government Finance Statistics Manual 2014</i>
MOF	Ministry of finance
PS	Public sector
PSDS	Public sector debt statistics
PSIU	Public sector institutional units
QPSD	Quarterly public sector debt
RS	<i>Republika Srpska</i>
TA	Technical assistance

EXECUTIVE SUMMARY

1. **A technical assistance (TA) mission was conducted by the government finance statistics (GFS) advisor for South East Europe¹ during October 3–5, 2016, to support the authorities of Bosnia and Herzegovina in improving GFS for decision making.** This mission was conducted within the context of the second phase of the Swiss Secretariat for Economic Affairs GFS capacity building project. The mission met with officials from the Central Bank of Bosnia and Herzegovina (CBBH) and the Bosnia and Herzegovina Agency for Statistics (BHAS).
2. **Reliable GFS are essential for analyzing and evaluating fiscal policy, especially the performance of the general government sector and the broader public sector of any economy, by the authorities, economists, and the broader public.** GFS may also be informative to compilers and users of other macroeconomic statistics in understanding the relations between the various sets of macroeconomic statistics, in particular, to compilers of the national accounts who may depend on GFS as an input to their work.
3. **To this end, the project TA is geared toward the compilation and dissemination of GFS in accordance with the guidelines of the *Government Finance Statistics Manual 2001/Government Finance Statistics Manual 2014 (GFSM 2001/GFSM2014)* and the *European System of National and Regional Accounts 2010 (ESA 2010)*.** The project aims to implement comprehensive reporting to the *Government Finance Statistics Yearbook*, the IMF-World Bank Quarterly Public Sector Debt (QPSD) database, the *ESA 2010 Transmission Program of Data*, and to fulfill excessive deficit procedure (EDP) reporting requirements.
4. **The specific purpose of this TA mission was to follow up on the findings of a previous IMF TA mission conducted in April 2016, and to develop a work program for the duration of the second phase of the project.**
5. **The first phase of the project had two goals:** (i) to classify institutional units of the public sector according to the *GFSM 2014* and *ESA 2010*, and to publish a classified list of units on an official website of the CBBH or the BHAS; (ii) to compile public sector debt data according to the *Public Sector Debt Statistics—A Guide for Compilers and Users (PSDSG)*, and to transmit the data to the shared IMF-World Bank QPSD database.
6. **Classifying institutional units is a vital first step toward defining the scope of the general government, separating this from the wider concept of the public sector.** It is important that GFS compilers define the scope of the general government to ensure that all relevant units are included in this definition and to get a comprehensive view on fiscal risk. Delineating the line between the general government and the public sector is also important

¹ The GFS advisor for South East Europe is hosted by the Center for Excellence in Finance, Ljubljana, Slovenia.

whereby the distinction between direct sources of fiscal risk and indirect sources of fiscal risk can be determined. A unit classified as part of the general government will contribute directly to the fiscal balance and government debt on a continual basis. Other units classified in the public sector may (intermittently) impact the fiscal balance through dividend receipts, subsidy or capital payments, and interest. These revenue or expense impacts on the fiscal balance may, in turn, also impact government debt, along with privatizations, capital injections or withdrawals from public sector units.

7. Publishing the classified list of public sector units also helps GFS users gain insight into which units are included in the general government when compiling GFS.

Further, it supports all compilers of macroeconomic statistics, including the balance of payments and the national accounts, to classify these units in a consistent manner. The consistent recording of these units is essential because the compilation of these statistics is often dispersed over several compiling institutions or departments within institutions. Further, this is relevant for IMF surveillance purposes to ensure that the scope of general government and the wider public sector is clearly defined and aligned with international statistical standards.

8. The compilation and reporting of QPSD statistics is an important step toward compiling debt data according to international statistical standards, but also to ensure these data are available with a high frequency and on a timely basis. Following the *PSDSG* ensures that a number of important, often overlooked, issues are addressed to ensure that debt data are compiled on a consistent and internationally comparable manner. First, the level of coverage according to the general government subsectors and the public sector is clearly defined. Often units covered when compiling debt data are determined on an ad hoc basis, sometimes only featuring the budget and a number of units deemed to hold fiscal risk. Second, the level of coverage according to the types of debt instruments is defined. Often only loans and securities feature in the compilation of debt, whereas other accounts payable, currency and deposits debt, or other debt may also be relevant. Third, issues concerning valuation and consolidation are also addressed when following the *PSDSG*.

9. The mission reviewed the action points from the April 2016 mission and found that although the authorities made substantial progress in achieving the goals of the first phase of the project, further action by the authorities is still required.

- The BHAS has compiled a provisional inventory of public sector units, and classified these units according to its relevant general government subsector. The list of units is substantially exhaustive, while the classification of a number of institutional units, such as Entity Level Development Banks, is still outstanding. The authorities have yet to publish this inventory of units according to their *GFSM 2014 / ESA 2010* sector classification.
- The CBBH has compiled quarterly general government debt data for the time series 2011:Q1–2016:Q2. These data are available on the CBBH [website](#). Reporting to the

IMF-World Bank QPSD database has been approved by the senior management of CBBH.

10. **Further, a number of weaknesses of institutional arrangements needed to compile GFS in Bosnia and Herzegovina have yet to be resolved.** Importantly, collaboration between the Bosnian institutions at the entity level and the state institutions lack the (in)formal prerequisites to support comprehensive and adequate fiscal data reporting.

11. **To this end, the following crucial priority recommendations will support improving the institutional arrangements needed to compile GFS in Bosnia and Herzegovina:**

Target Date	Recommendation	Responsible Institutions
June 2017	Allocate the division of tasks and responsibilities, supported by a transition plan.	BHAS, CBBH
December 2017	Establish memoranda of understanding regarding GFS between the institutions	Among others, BHAS, CBBH, MOF RS, MOF FBiH, MOF BiH
June 2018	Ensure the provision of free and unlimited access to all government information needed to compile high quality GFS to the institutions responsible for GFS and related macroeconomic statistics compilation. Conceivably through strengthening the Statistical Law	BHAS
December 2019	Review the Budget Laws and the Statistical Laws, and propose amendments to the legislation to better support the collection of public sector units' data in a consistent manner.	BHAS, CBBH

12. **Addressing these weaknesses in institutional arrangements is vital for supporting the compilation of GFS on a comprehensive and timely manner according to international statistical standards.** This is especially relevant in the complicated political economy of Bosnia and Herzegovina, where a significant level of decentralization is in place, and diffuse approaches are used in fiscal reporting across the state institutions, the entities, and the cantons. This is, for instance, reflected by differing budget laws applicable to the various political entities. Hereby accounting standards and timeliness requirements, among others, also differ, leading to a disparate set of data that are reported for GFS compiling purposes. By addressing these issues through the above-mentioned benchmark actions, the CBBH and BHAS will be better equipped to receive fiscal data according to agreed reporting requirements—concerning periodicity, format, timeliness, the coding structure, level of detail, supporting information, and reporting obligations (whom to report to).

13. **On the basis of the above-mentioned reporting requirements (see paragraph 3), the mission, together with the officials, developed a draft *object* list specific to Bosnia and Herzegovina to be used to develop a work program for the duration of the second phase of the project.** The work program will function as a guide to follow a step-by-step process and will be updated periodically to reflect the status. The *object* list (see Annex I) covers various ‘building blocks’ to cover the above-mentioned reporting requirements, aligned with other macroeconomic statistics compilation.

14. **Although the scope of the *object* list is comprehensive, future missions will focus on objects relevant to the project.** At the same time, the mission recommends that the authorities give consideration to the full list of *objects*, whereby Bosnia and Herzegovina can successfully compile GFS on an organized and comprehensive basis and within a designated amount of time. As a first step, the authorities will review the *object* list. As a second step, the mission together with the authorities will attach projected timelines / milestones to each lowest level *object*. If an *object* is already in place, then it will be noted as complete—no further action needed. In Bosnia’s case, a number of *objects* need little or no further action. The GFS advisor will periodically monitor the progress on each *object*, update the status of progress, and agree on shifting timelines if this better reflects reality. This will help the authorities, the short-term expert, the GFS advisor, and the project manager to keep an overview of progress.

15. **The following benchmark action supports the development of a work program for the duration of the project:**

Target Date	Recommendation	Responsible Institutions
February 2017	Review the object list, draft a tentative schedule, and assign responsibilities according to these objects.	BHAS, CBBH

16. **The GFS advisor will continue to liaise with the authorities remotely from Ljubljana to assure progress in this regard.**

Appendix I. Bosnia and Herzegovina: Institutional Arrangements

1. **The collection of relevant data, the processing of these data, and the compilation of GFS for Bosnia and Herzegovina for the consolidated general government is diffused across a number of institutions within Bosnia and Herzegovina.** The informal and formal arrangements in place are insufficiently robust to support comprehensive and adequate fiscal data reporting.
2. **In part, the formal arrangements are supported to a certain extent by budget laws and statistical laws.** This is, however, complicated by the fact that neither a single unified nor a multiple (but consistent) legal framework exists for the country, the entities, and the cantons. Individual budget laws and statistical laws cover Bosnia and Herzegovina, the Federation of Bosnia and Herzegovina (and its underlying cantons), and *Republika Srpska* (RS). Significantly, the underlying accounting standards, the reporting requirements—concerning periodicity, format, timeliness, the coding structure, level of detail, supporting information, and reporting obligations (whom to report to) differ. As compilers of the Bosnian general government, the CBBH and the BHAS (in the context of national accounts compilation) therefore do not have at their disposal source data compiled and submitted according to consistent standards.
3. **The Bosnia and Herzegovina Statistical Law does not have sufficient provisions, or cannot be enforced sufficiently, to ensure that all public sector units report data to the CBBH and the BHAS in a timely and consistent manner.**

Recommendation:

- *The mission recommends the BHAS and CBBH review the Budget Laws and the Statistical Laws and propose amendments to the legislation to better support the collection of public sector units' data where needed. Consideration needs to be given to align the underlying accounting standards, and the reporting requirements—concerning periodicity, format, and timeliness on a consistent manner and according to international standards and best practices.*
4. **Not all of the institutions that provide source data compile official GFS data, and compile national accounts data have a joint memorandum of understanding in place.¹** From an operational point of view this means that the compiler of GFS and related macroeconomic statistics, generally speaking, need to rely on longstanding practices in the sharing of data. However, these informal arrangements are accompanied with a large number of uncertainties regarding the compilation process. Long-standing practices can come to a halt due to changes in personnel, changed policy within institutions, or even

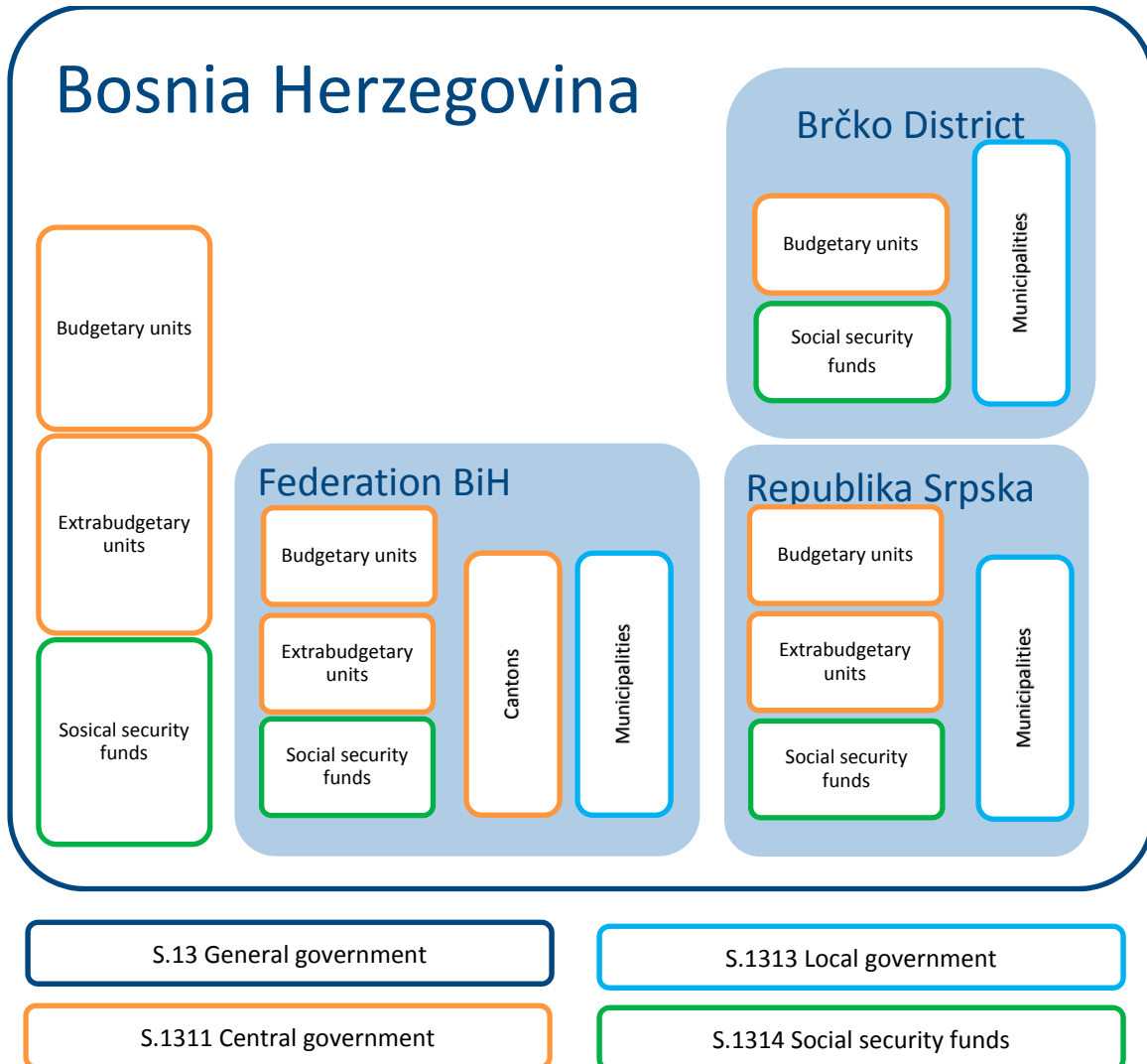
¹ The CBBH and BHAS have a memorandum of understanding in place; however, it requires updating inter alia to address coordination on EU reporting requirements.

misunderstandings between institutions. Further, important issues with regard to reporting standards are not secured without these memoranda of understanding. These include provisions on the periodicity, the timeliness, the format, the coding structure, the coverage of data, and supporting information. Over-and-above, often supplementary in-depth data on specific economic events is required on an incidental basis.

5. **The CBBH has been compiling GFS data for Bosnia and Herzegovina since 2003 on an annual and quarterly basis according to the *Government Finance Statistics Manual 2001*.** Step-by-step, the CBBH has expanded GFS compilation that now are on an annual level, that includes data on revenue, expenditure, and flows and stocks of the financial balance sheet for 2011–14. However, currently, no classifications of the functions of government data are compiled.

6. **The CBBH compiles Bosnian general government (S.13) GFS on the basis of raw data prepared by the MOF RS, MOF of the Federation of Bosnia and Herzegovina, Bosnian institutions, Brčko District, and extrabudgetary funds.** The MOF RS prepares data (main ledger data) for the entity RS. The budgetary and extrabudgetary units of RS are compiled by CBBH as central government (S.1311), while the local municipalities are compiled as local government (S.1313) and social security funds as S.1314. The MOF of the Federation of Bosnia and Herzegovina prepares data (main ledger data) for the Federation of Bosnia and Herzegovina entity. The budgetary and extrabudgetary units, together with the cantons of the Federation of Bosnia and Herzegovina are compiled by the CBBH as central government (S.1311), while the municipalities are compiled as local government (S.1313), and social security funds as S.1314. The Bosnian institutions and Brčko District governments are also compiled as central government (S.1311), while social security funds in Brčko District are compiled as S.1314. The CBBH consolidates all the underlying data from the country level budgetary and extrabudgetary units, all the social security funds, and municipal data, in order to compile consolidated general government of Bosnia and Herzegovina.

Appendix Figure 1. Bosnia and Herzegovina: Government Sectors According to GFS Classification¹ and Compiling Responsibilities



¹ Current practice is to classify the budgetary and the extrabudgetary units of country and the entities, plus the cantons of the Federation of Bosnia and Herzegovina as the central government of Bosnia and Herzegovina.

7. **Due to the lack of formal or strong informal arrangements, the CBBH lack comprehensive data to compile Bosnia and Herzegovina general government and its underlying sectors adequately according to international standards.** The entity level data generally lack sufficient detailed data to consolidate to the country level. Further, often supplementary data or information are required concerning specific fiscal or economic events. Under current circumstances, the exchange of these data or information are often deficient.

Recommendation:

- *The mission recommends that the BHAS, CBBH, the MOFs, and relevant GFS data reporters and compilers establish memoranda of understanding to formalize exchanges of data and information, establish roles and responsibilities, assign tasks, and determine timelines.*

8. **The CBBH uses an in-house GFS data repository IT system to record and manipulate data to some extent.** The system bridges several charts of accounts of different fiscal reporting units to the *GFSM 2014* on a one-by-one basis. The system is not equipped to take account of differing treatments of accrual recording across fiscal reporting units and as well as adjusting the time of recording to a consistent standard. The GFS compilers of the CBBH use Excel files for each individual unit to reconcile, adjust, and amend GFS data where needed. Documentation of these modifications, including the supporting metadata, are consequently disperse and hamper the quality assurance of the compilation process. The current system will thus be lacking in fulfilling the EU reporting requirements, as these significantly increase the data compilation demands to fulfil consistency and level of detail demands. Each unit prepares a full complement of GFS tables per reporting unit. These units are consolidated to general government with the use of Excel.

9. **The CBBH is envisaging an upgrade of the in-house GFS data repository IT system.** During the coming months, the CBBH envisages inviting tenders to develop this upgrade. The CBBH will also start to develop a functional specification for this upgrade. The goal is to improve documentation of data amendments, align with more detailed data compilation requirements associated with excessive deficit procedure reporting, allowing for a single base to generate the required data submissions to Eurostat, the IMF, and the World Bank.

Annex I. Bosnia and Herzegovina: Tentative Object List for Developing Work Program for Expanding GFS Reporting

The Bosnia-specific object list shown below provides a tentative overview of the various ‘building blocks’ needed to cover the above-mentioned reporting requirements, aligned with other macroeconomic statistics compilation. The list of objects is comprehensive, whereby Bosnia and Herzegovina can in time successfully compile GFS, on an organized and comprehensive basis. Determining realistic timelines associated with these objects will be an ongoing process, and may extend beyond the duration of the three-year project. The goal is to coordinate this object list with a wider object list for Bosnia and Herzegovina—that is, including RS and the Federation of Bosnia and Herzegovina.

ID	Name
1	Institutional arrangements
2	Legal framework
3	Fiscal law
4	Statistical law
5	Budget law
6	Law on Central Bank
7	Memoranda of understanding
8	Liaising senior management
9	Compiling MoUs
10	Signing MoUs
11	Working groups
12	Schedule of tasks
13	Schedule of data sources
14	Collection of data
15	Budget cash flows
16	Budget balance sheet
17	Off-budget data
18	Extrabudgetary units
19	Local government
20	Social security funds
21	Public financial corporations
22	Public nonfinancial corporations
23	Sector classification
24	Inventory public sector units
25	Classification public sector units
26	Documenting classification
27	Publication public sector classification
28	Project status update
29	Project status update 1
30	Project status update 2
31	Project status update 3
32	Project status update 4
33	Project status update 5

34	Project status update 6
35	Review classification economic transactions
36	<i>ESA 2010</i>
37	<i>GFSM 2014</i>
38	EDP Questionnaire level of coding
39	Incorporate Chart of Accounts bridge into compilation systems
40	Compilation systems
41	System analysis
42	Documentation system
43	Reconciliation national accounts
44	FISIM
45	Production / nonproduction subsidies
46	Gross capital formation
47	Consumption of fixed capital
48	Total government consumption (individualized and collective)
49	Budgetary central government
50	Reconcile flows
51	Reconcile stocks and flows
52	Cash - noncash adjustments
53	Imputations / methodological adjustments
54	Valuation stocks
55	Extrabudgetary central government
56	Reconciliation Fin Reports GFSM / ESA
57	Estimation techniques missing entities (provisional year)
58	Estimation techniques quarterly data
59	Valuation stocks
60	Local government
61	Social security funds
62	Reconciliation GFSY / ESA / EDP / QPSD reporting
63	Consolidation
64	Annual GFS for GFSY
65	Table 1
66	Table 2
67	Table 3
68	Table 4
69	Table 5
70	Table 6
71	Table 6A
72	Table 6B
73	Table 7
74	Table 8A
75	Table 8B
76	Table 9
77	ESA Transmission

78	Table 0200
79	Table 0600
80	Table 0700
81	Table 0900
82	Table 1100
83	Table 2600
84	Table 2700
85	Table 2800
86	Table 2900
87	Tables 0100, 0800
88	EDP Tables
89	Link with compilation systems
90	Reconciliation Tables 2
91	Reconciliation Tables 3
92	Report to Eurostat
93	EDP Questionnaire
94	Reconciliation table 1
95	Reconciliation table 2
96	Reconciliation table 3
97	Reconciliation table 4
98	Reconciliation table 5
99	Reconciliation table 6
100	Reconciliation table 7
101	Reconciliation table 8
102	Reconciliation table 9
103	Reconciliation table 10
104	Reconciliation table 11
105	Reconciliation table 12
106	Reconciliation table 13
107	EDP Inventory
108	1. General government
109	2. Institutional arrangements
110	3. EDP tables and data sources
111	4. Revision policy used for annual GFS
112	5. Sector delimitation – practical aspects
113	6. Time of recording
114	7. Specific government transactions
115	Quarterly GFS for IFS
116	Quarterly public sector debt
117	Outreach
118	Seminar senior management Bosnian institutions
119	Technical seminars - data suppliers
120	Newsletters - data suppliers
121	Bulletins - data users

Annex II. Bosnia and Herzegovina: List of Officials Met During the Mission

Central Bank of Bosnia and Herzegovina		
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