



Quality and timely fiscal statistics as a crucial instrument for achievement of fiscal accountability of the governments in Bosnia and Herzegovina

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Summary

Bosnia and Herzegovina does not have an institution in charge of fiscal data collection, general and central government consolidation and it does not have uniform fiscal reports harmonised with international standards. Legislation does not predict the obligation of monthly fiscal data deliverance to fiscal authorities, as suggested by IMF's GFS 2001 and ESA 95, and as it is a practice among European countries. Quarterly and annual fiscal reports are produced and delivered to competent entity ministries of finances but with a time lag which is significant enough as to fail to issue an alarm for early intervention. Monthly reports on the other hand, as well as central and general government consolidation, are produced in ad hoc manner and currently are facing dead-end street. Because of this, accuracy and reliability of the existing fiscal reports are repeatedly questioned. Central issue of this policy paper is the real and rising need for reliable, quality and right-in-time fiscal statistics in Bosnia and Herzegovina. The question is what is the best, or the second best way to institutionalize fiscal statistics, bearing in mind decentralized and complex framework of fiscal architecture, vast number of governmental operations and a constant pressure of international community and of civil society. This paper represents an overview of the standard demands that international organizations place in front of us, existing domestic legislative, but also an overview of

present situation in terms of different chart of accounts and technological and human resources aspect of readiness for changes. Without a systematic approach and a strong fiscal authority at the state level, existing pressures are overloading reporting units with demand for various reports with similar content but different form. While the reform of fiscal reporting system in Bosnia and Herzegovina progresses very slowly, the global economic downturn is emphasising the need for strong anchoring of fiscal decisions and reliable and accurate insight in fiscal developments, because 'if you cannot measure it, you cannot manage it'!

List of acronyms

| | |
|--------|--|
| BD | Brcko District of Bosnia and Herzegovina |
| BiH | Bosnia and Herzegovina |
| CoM | Council of Ministers of Bosnia and Herzegovina |
| ESA | European System of Accounts |
| FBiH | Federation of Bosnia and Herzegovina |
| FC | Fiscal Council |
| GB ITA | Governing Board of Indirect Taxation Authority |
| GCFD | Group for Coordination of Fiscal Data |
| GFS | Government Finance Statistics |
| IMF | International Monetary Fund |
| MoF | Ministry of Finance |
| MoFT | Ministry of Finance and Treasury |
| RS | Republic of Srpska |
| SAA | Stabilization and Association Agreement |
| SNA | System of National Accounts |
| SBA | Stand-By Arrangement |



1. Introduction

Here how it is...

Expanded debt and deficits that followed recession in the EU and the rest of the world over the past several years have given emphasis to the importance of credible fiscal policies and fiscal management. Fiscal decisions should be predictable, easily understood and reliable. Government finances should help us access fiscal developments and possibility to issue an early warning signals in order to get public finances to the right tracks.

Bosnia and Herzegovina does not have developed fiscal reporting system on the state level nor institution legally in charge for central and general government consolidation. On the other hand, it has vast number of governmental operations. Central government in BiH includes State, two entities, Brcko District and ten cantons, while general government includes central governments, 143 municipalities (80 in Federation of BiH and 63 in Republic of Srpska) and 29 extrabudgetary funds (23 in FBiH, 4 in RS and 2 in BD). Situation is additionally complicated with 'off budget' fiscal operations, i.e. foreign donors funded projects.

... yet it is not clear who is in charge of what...

Although the Central bank of BiH publishes reports which are officially produced in accordance with GFS standards, it is questionable how well central and general consolidated government can be done when individual financial statements of lower-level authorities are not prepared in accordance with international standards. Bearing in mind the fact that fiscal reports should be used for fiscal analysis, projections and measure, and that the CB reports are publish with the significant time lag, it is to be considered whether the autonomy of this unit, which is not part of the budgeting process, is an advantage or disadvantage. Macroeconomic Analysis Unit of GB ITA, as a part of the highest fiscal authority in the country, was given the role of a 'glue' to key fiscal authorities and an institution that was supposed to deliver monthly reports on budget execution. However, legal support for this idea at the State level was missing.

E pur si muove...

The Council of Ministers (hereafter: CoM) has decided to establish the Group for Coordination of Fiscal Data (hereafter: GCFD) in 2009. This decision was almost exclusively 'stand-by arrangement' (hereafter: SBA) driven, which means that data were supposed to be in line with IMF's GFS methodology, but the decision also predicted that the next phase of fiscal data consolidation should include the harmonisation with the EUROSTAT's standards. 11 experts from 6 different institutions for fiscal data dissemination were appointed to the Group which was coordinated by MAU.

Technical memorandum, agreed among members of GCFD, involved fiscal data deliverance on a monthly, quarterly and annual basis to MAU, where MAU was obliged to deliver consolidated reports on central and general government to the IMF within 5 weeks after the end of the period.

Initially, during 'putting into circulation' first and second tranche of the SBA, IMF's Technical Memorandum and its requirements had its weight and they could serve as a 'policemen' among 'disobedient' reporting units.

...or we just thought so for a second...

But later on, when the IMF's tranches were discontinued and when everything achieved with Technical Memorandum lost its weight, things started getting back to the old tracks. Support of local fiscal authorities to the whole process in form of appropriate legislative was missing and the overall process has stuck to the dead-end.

Waiting for Godot?

The question is what is going to happen next. Double-dip global recession is not going to evade BiH, but without quality and timely insight in fiscal developments, fiscal decisions cannot be made. That leaves us rudderless in a rough sea.

This study examines overall fiscal reporting architecture in BiH, critical points in reporting system and is searching for the answer where should rest the ultimate fiscal responsibility for fiscal data dissemination.

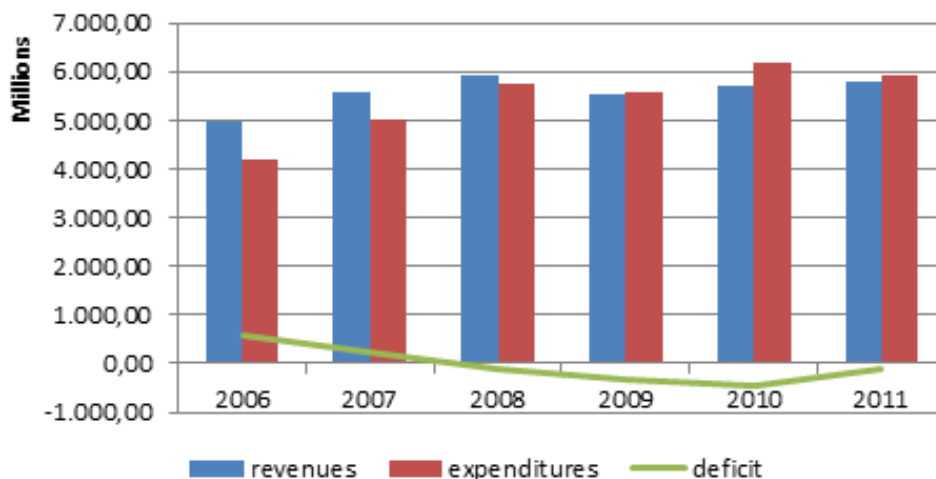
It begins with Section 2 wherein is explained who would benefit from fiscal reporting system reform, i.e. in Section 2 stakeholders are numbered. Section 3 brings an insight in the structure of international standards imposed and required from Bosnia and Herzegovina in the process of Euro-Atlantic integrations. Section 4 delivers us an overview of the existing legislative and reporting procedures, together with the main differences in the chart of accounts. Chapter 5 discusses the possible solutions considering the fact that any progress in implementation of new legislation seems so far away.

2. What gets measured, gets done!

It is more than obvious that there are a number of interested parties which can gain certain benefits from implementing standards of fiscal transparency in Bosnia and Herzegovina. Fiscal transparency contributes to the international compatibility of national fiscal statistics and fiscal indicators, and increases the effectiveness of national macroeconomic policy measures. The quality of government economic policy depends on whether the past, present and future information on governments' performance is transparent, comprehensive and reliable. Application of international standards of fiscal statistics is becoming prerequisite for establishment of favourable environment for investing, starting and running businesses. Fiscal transparency reduces negative effects of asymmetric information to investors in government bonds and facilitates countries to appear in domestic and international financial markets. Foreign investors are often guided by credit rating of government and fiscal indicators arising from the reports of consolidated general government. Transparency of public finances and a higher credit rating of the country are also indicators of higher level of government accountability, legal and economic security and confidence of international community in the country's government. Application of international standards regarding the coverage of general government reporting and transparency of the collection and spending of public funds positively affect the fiscal discipline, preventing the autonomous action of lower level of government and strengthening of the fiscal coordination in the country.



Consolidated Central Government



Source¹: Macroeconomic Analysis Bulletin, www.oma.uino.gov.ba

¹ Chart was made on the basis of a report that includes: revenues and expenditures of BiH, revenues and expenditures of RS, FBiH and BD, and revenues and expenditures of ten cantons

The IMF has over the years developed principles and guidelines for the government, which included assessment of best practices of fiscal transparency in developing countries. Below is a review of the Code of Fiscal Transparency with reference to Bosnia and Herzegovina.

Internationally recognized classification ESA95 and GFS clearly define and isolate public sector from other sectors of the economy. The public sector is broader concept than the general government sector and it includes a wide range of enterprises, including public corporations. Establishing clear boundaries between the horizontal and vertical competencies is necessary for the formalization of certain authorities and responsibilities of enterprises and government sectors to create an adequate legal framework for the collection and spending of public resources and funds. The complexity of the fiscal architecture of BiH requires urgent determination of the limits, while they currently are not clear.

Clear legal and administrative framework includes: adoption of comprehensive laws, regulations and administrative procedures necessary for the collection of revenue, creation of liabilities and spending of public resources and funds, the implementation of public hearings in the process of making laws in the fiscal area, as well as avoidance of unnecessary complexity and assigning discretionary power to governments.

In order to effectively apply the prescribed standards for the medium term budget planning, it is necessary to provide institutional support and an effective coordination mechanism between them. It is required that there is close cooperation between: Ministry of Finance and the agencies involved in economic planning at national (macro-level for macro economic and fiscal projections), the Ministry of Finance and other budget users (for medium-term expenditure framework), the central Ministry of Finance (state) government and local governments (for medium-term fiscal framework)².

The basis for this fiscal transparency pillar is the existence of high-quality fiscal documentation. Legislature should be by mid-year delivered with report on budget trends. At least quarterly budget reports should be disclosed.

1. CLARITY OF ROLES AND RESPONSIBILITIES

- The government sector should be distinguished from the rest of the public sector and from the rest of the economy, and policy and management roles within the public sector should be clear and publicly disclosed.
- There should be a clear and open legal, regulatory, and administrative framework for fiscal management.

2. OPEN BUDGET PROCESS

- Budget preparation should follow an established timetable and be guided by well-defined macroeconomic and fiscal policy objectives.
- There should be clear procedures for budget execution, monitoring and reporting.

² More on '10 steps in budgeting process in BiH' available at: http://www.oma.uino.gov.ba/bilteni/Oma_Bilten_bos_6.pdf

The standards require disclosure of budget, budget execution reports and other fiscal reports for the lower levels of government administration and the consolidated statements of general government. The consolidation of the fiscal operations of the lower levels of government becomes more significant for the overall fiscal position of the country in case of higher level of decentralization, in case there are strong connections between the vertical level (transfers of income, revenue allocation, grants), and if lower levels of government have a significant fiscal authorities for taxes, expenses and borrowing and strong public corporations. In some countries, fiscally independent complex lower levels of administration use the same standards of fiscal transparency as the central government. Central governments often impose uniform standards of fiscal reporting to all levels of government to facilitate the preparation of consolidated general government fiscal reports. In most countries, reliable information about the general government is published within six months after the fiscal year, including the publication of reports of lower levels of government. Preferably, the consolidated general government reports should be published on a quarterly basis, to ensure monitoring of the execution of the projected fiscal targets and promptly react in case of serious discrepancies. For more frequent and timely reporting of general government there should be commitment of lower levels to report towards higher levels of government, and to unify the accounting classifications, rules and procedures at all levels.

Table 1.
Type of fiscal documentation,
source: International accounting
standards

3. PUBLIC AVAILABILITY OF INFORMATION

- a. The public should be provided with comprehensive information on past, current, and projected fiscal activity and on major fiscal risks.
- b. Fiscal information should be presented in a way that facilitates policy analysis and promotes accountability.
- c. A commitment should be made to the timely publication of fiscal information.

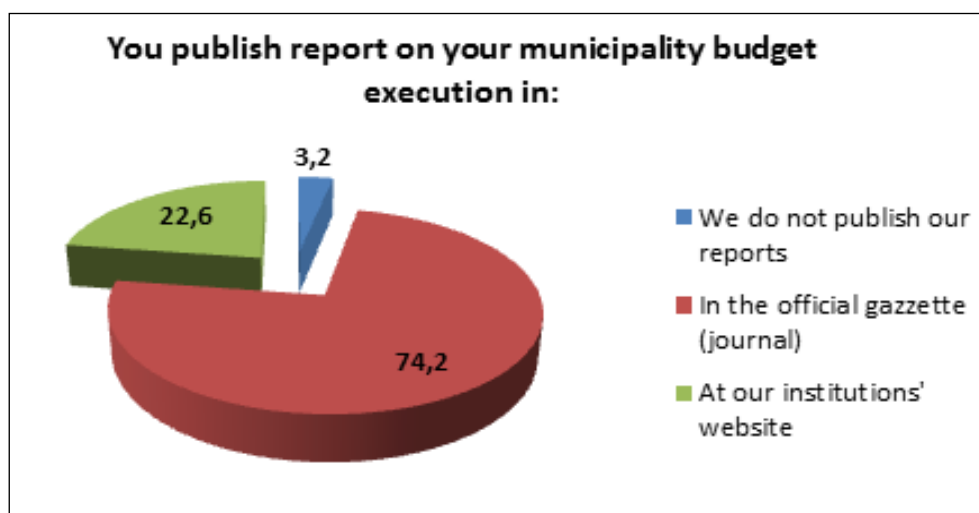
| Type of documentation | Document | Coverage |
|-----------------------|--|--|
| Budget documentation | Presentation of annual budget | It includes detailed projections of revenues, expenditures, balance sheet and borrowing, the proposed fiscal measures and review of expenditure approved or to be approved by the Legislature pursuant to the budget. Presentation of the transaction is carried out by administrative units and by type of expenditure. |
| | Other budget documents | They include various reports (e.g. on extrabudgetary funds, autonomous agencies, quasi-fiscal activities and fiscal risks) and the substrate for fiscal and economic framework. |
| | Periodical reports on budget execution | Execution reports, monthly or at least quarterly, including extra-budgetary funds and debt. |
| | Annual reports | Annual audited reports are submitted to the legislature at the end of the year to ensure the regularity and consistency with the planned distribution of expenditures. |
| Other reports | Financial reports | Reports on the financial position and the effects of government accrual basis. |
| | GFS reports | Analytical reports that provide information about government finances are made in accordance with GFS standards of the IMF. |

The main objective of the publication of fiscal information is the presentation of the fiscal balance of government operations. The overall fiscal balance shows the net position of the transactions of government operations - a surplus or deficit (the term commonly known in the literature as "above the line"). It is necessary to disclose the transaction "below the line" showing the sources of deficit financing. Both lines are important for the conduction of macroeconomic policy.



For the purposes of this study, a survey has been conducted and it included all municipalities in BiH. Link to the questionnaire was sent to the municipalities by e-mail. The survey was anonymous. For the research purposes, it was necessary to collect all e-mail addresses by typing the name of individual municipalities in the Internet browser, because there is no governmental website that provides simple overview of all local government contacts.³ Brief examination of the existing web sites of individual municipalities indicated that they were not uniform even within one canton and furthermore, a large number of sites were out-dated, they did not have information on planned budgets for the current year or on executed budgets for the previous year.

³ Websites: <http://www.sogfbih.ba/> and <http://www.alvrs.com/> were of enormous assistance, but even some of the emails collected from these sites were invalid.



Budget data should reflect past trends in public revenue and public expenditure, and should be based on macroeconomic indicators and clearly defined economic policy. In the annual budget it should be emphasized on which accounting base budgets were produced and also standard by which data is collected and displayed. There should be a guarantee of the quality of fiscal data and whether data in fiscal reports are consistent with each other and coordinated with other sources. For example, fiscal data are to be connected with the national accounts, i.e. the calculation of GDP, etc. Terms and method of fiscal data production and their dissemination must be clear and must be disclosed.

The best practice⁴ requires the application of fundamental principles of the UN official statistics (the UN Fundamental Principles of Official Statistics) and the IMF standards for data integrity (SDDS / GDDS).

Citizens can also benefit from fiscal transparency of government operations since they can control government operations, which in turn, through democratic electoral mechanisms and change of government can affect strengthening of government accountability and increase in efficiency of public resource allocation in terms of harmonizing government activities with the needs of citizens. Given the importance of public finance transparency for the society democratization, the process of fiscal statistics reform in Bosnia and Herzegovina should not be observed solely in terms of fiscal consolidation, closing the budget deficits and overcoming bad fiscal cycles but also as an opportunity for accelerated democracy development and civil society awareness. This should, ultimately relax political relations within Bosnia and Herzegovina and its society.

4. ASSURANCES OF INTEGRITY OF FISCAL DATA

- Fiscal data should meet accepted data quality standards.
- Fiscal activities should be subject to effective internal oversight and safeguards.
- Fiscal information should be externally scrutinized.

⁴ OECD, Best Practice for Budget Transparency, 2002.

3. Comparability as a 'sacrifice' to integrations

The need for fiscal transparency was also emphasized because of the increased exposure of the governments to the international financial markets.

International obligations of Bosnia and Herzegovina, concerning fiscal statistics, are the following:

- Obligations in accordance with the SAA⁵
- Obligations to the European partnership
- Obligations to the IMF

⁵ „Stabilization and Association Agreement between the European Communities and their members, of the one part, and Bosnia and Herzegovina of the other part”, Official Gazette of BiH-International Agreements, No.10, November 2008, Article 88

In line with the **obligations under the SAA**, there is an emphasis on the cooperation in the field of statistics, creation of efficient and sustainable statistical system that can provide comparable, reliable, objective and accurate data needed for planning, monitoring transition and reforms in Bosnia and Herzegovina and also harmonization of the statistical system to be in full compliance with *acquis communautaire*.

Medium term **obligations according to the European partnership** are „to develop reliable economic statistics and build up institutional capacity to produce and publish basic statistical data harmonised with European standards, in particular in the areas of national accounts, agricultural, macroeconomic and business statistics, and social statistics, including education, labour and health statistics⁶”.

⁶ Council Decision of 18 February 2008 on the principles, priorities and conditions contained in the European Partnership with Bosnia and Herzegovina and repealing Decision 2006/55/EC, OJ L 80, March 19th 2008

⁷ Available at: ec.europa.eu/economy_finance/international/enlargement/pre-accession_fiscal_surveillance/index_en.htm

Once BiH becomes a candidate country, her obligations concerning fiscal surveillance will increase in arithmetic progression. The pre-accession fiscal surveillance procedure aims to prepare candidate countries for participation in the multilateral surveillance and economic policy coordination procedures currently in place in the EU as part of Economic and Monetary Union. The pre-accession countries prepare Pre-Accession Economic Programmes⁷ (hereafter: PEP) that outline the appropriate medium term policy framework, including public finance objectives and structural reform priorities, needed for the EU accession. This offers an opportunity to develop an institutional and analytical capacity necessary for participation in EMU, particularly in the areas of multilateral surveillance and coordination of economic policies. PEPs are being examined by European Commission (hereafter: EC) and provided with evaluation. The evaluation from EC is first discussed by the Economic and Financial Committee (EFC) with their counterparts from the candidate countries. Joint Council conclusions are then adopted by the finance ministers at the ministerial meeting between the EU Economic and Financial Council (commonly known as the ECOFIN) and the ministers from the candidate countries. The main elements of the PEPs and their assessment by the EC are also discussed with candidate countries in the regular bilateral economic dialogues between the EU and the countries. Similar but slightly lighter procedure (without ministerial meeting conclusions) was established in 2006 with potential candidate countries from the Western Balkans. Accordingly, by 1 December each of these countries submitted a first medium-term Economic and Fiscal Programme.

Also, each year candidate countries submit the so-called *fiscal notification*, a set of fiscal data, including general government debt and the general government balance. Directorate General for Economic and Financial Affairs (DG ECFIN) and EUROSTAT produce an assessment of these fiscal notifications which is published. This assessment concerns the quality and reliability of the notified deficit (or surplus) and debt figures, and the degree of compliance of the notified data with ESA95 accounting requirements.



In order to support the arguments presented in this study, among the reporting units in Bosnia and Herzegovina, more accurate among the reporting units at the local level (municipalities), a survey has been conducted. One of the questions was: 'How well are you acquainted with international methodologies for compilation of fiscal data?'

| Question: How well are you acquainted with international methodologies for compilation of fiscal data? | | | | |
|---|--------------------------|--|--|--|
| | I have never heard of it | I have heard of it, but I don't know much about them | I am familiar with it, I know the basics | Profound knowledge/daily experience in working with it |
| GFS2001 | 25,0% | 65,6% | 9,4% | 0% |
| ESA95 | 29,6% | 59,3% | 11,1% | 0% |

The survey found that nearly 30% of respondents had never heard of ESA95, almost 60% of respondents only heard of it, and only 11.1% knew the basics. It is an indisputable fact that Bosnia and Herzegovina will soon become a candidate country for the EU accession. As we already mentioned, obligations of BiH concerning fiscal monitoring will progressively grow and the country candidate will be required readiness to make fiscal consolidation, and to get data in line with ESA95 accounting standards. The process of establishing a quality system of fiscal reporting in Slovenia, tailored to the requirements of European standards, lasted up to ten years. Observing the results of the survey it is clear that Bosnia and Herzegovina is at the very beginning.

In the context of the requirements for stand-by arrangement with the IMF, Bosnia and Herzegovina was obliged to fulfil certain requirements. The authorities of Bosnia and Herzegovina are committed to report to the Fund on specific macroeconomic and fiscal developments in certain time frames. Reporting obligations and time frames are contained in the Technical Memorandum on Reporting which is in Appendix 2 of this study. Obligations of Bosnia and Herzegovina to the IMF, within the stand-by arrangement in the field of fiscal statistics, are contained in Letter of Intent, Article 27. In accordance with this Article, the Group for the coordination of fiscal data of the Council of Ministers was founded, and its role was to collect and consolidate the fiscal statistics of all levels, timely and with a greater coverage of data, i.e. with as less estimates as possible. The group consists of representatives from state and entity ministries of finance, representatives of the Central Bank, the Directorate of Finance of the Brcko District and the MAU representatives. Task of this Group is to submit to the MAU data on budget execution for the given quarter, and that the Unit no later than five weeks after the end of that quarter publishes a consolidated report for the general and central government.

The experience of the IMF has shown that in many countries the compilation of fiscal statistics with GFS standards was a first step towards the compilation of national fiscal statistics with EU standards. In the case of Bosnia and Herzegovina different dynamics is imposed i.e. the need for a parallel harmonisation with both GFS and the ESA and also implementation of a comprehensive reform of fiscal statistics. Although after joining the European partnership program and after signing of the Stabilisation and Association Agreement (SAA), and the adoption of the Law on Fiscal Council, it was expected that the fiscal authorities will undertake the necessary fiscal statistics reforms, yet it did not happen. It was only the global economic crisis, falling into bad fiscal cycles and the need for stand-by arrangement with the IMF that brought back activities related to fiscal statistics to the forefront. Dealing with this issue through this perspective, imposes a conclusion that IMF's arrangement was almost exclusive catalyst of the reforms in the sphere of fiscal statistics.

Over the past years the IMF has developed principles and guidelines for the governments, which include best practices in assessment of fiscal transparency in developed countries. Today, those principles are called the IMF Manual on Fiscal Transparency. We have said more about requirements of these standards in Section 2.

Standards of fiscal transparency are included in a list of 12 obligatory financial standards, codes and principles and they are a subject of a regular report on the observance performed by IMFs Reports on the Observance of Standards and Codes (hereafter: ROSC). ROSC summarize the extent to which countries observe certain internationally recognized standards and codes, and are used to sharpen institutions' policy discussions with national authorities and in the private sector, including rating agencies, for risk assessment. It includes accounting, auditing, money laundering, banking supervision, fiscal transparency etc. The Fiscal Affairs Department carried out an analysis of the completed fiscal ROSCs at the end of October 2002. Some of the main findings were as follows:

Key Findings in Fiscal ROSCs⁸

ROSCs have identified a number of common problems that occur across a wide range of developing, emerging market and transition economies in particular, problems of:

poor fiscal data quality (such as poor coverage and consistency of fiscal data, weak internal control and audit functions, and unrealistic budgets);

use of off-budget mechanisms (such as contingent liabilities and quasi-fiscal activities);

lack of clarity in tax policy and excessive discretion in tax administration; and

poor definition of inter-governmental fiscal relations.

Many of these issues are associated with a set of underlying institutional weaknesses that could lead to future fiscal or financial vulnerability so they need to be addressed on a sustainable basis.

However, often an immediate improvement in transparency can be achieved simply by publishing information already available within government.

Not surprisingly, given the voluntary nature of ROSCs, most countries participating in a fiscal ROSC have undertaken or are undertaking significant reforms that increase transparency.

The EU-accession countries have made particularly impressive progress in increasing fiscal transparency.

Even among the industrial countries there are significant areas where fiscal transparency could be improved.

⁸ Available at: International Monetary Fund, 2003, Assessing and Promoting Fiscal Transparency - A Report on Progress, SM/03/86, Supplement 2, March 5, 2003. See <http://www.imf.org/external/np/pdr/sac/2003/030503s2.htm>



Twenty one analysts in the Sovereign Risk Unit of Standard and Poors, Moody's, and Fitch responded to the survey (response rate 50%). The main findings were:

- 71 percent had read a fiscal ROSC or some part of a fiscal ROSC.
- Of those, 93 percent said they had a better background understanding of the country's fiscal position and fiscal risks as a result of reading a fiscal ROSC. About half of them had used information in the fiscal ROSC as a direct input into their rating assessment.
- In response to the question on how significant an impact of a fiscal ROSC had had on a country risk assessment, on a scale of 1-5 (1 indicating no impact, 5 indicating a major impact) the mean response was 2.3. Six respondents said a fiscal ROSC had a major impact (5) on the assessment and six others responded with a 4.
- Analysts rated the most important features of fiscal ROSCs as ease of accessibility; consistency and comparability across countries; a source of information on fiscal management institutions and practices; and inclusion of IMF staff recommendations on reforms needed. Written comments particularly reinforced the desire for international comparability.
- Analysts would most like to see more quantitative data in fiscal ROSCs, and, to a lesser extent, a quantitative rating of fiscal transparency. They do not consider fiscal ROSCs to be too long, to lack candor, or to be up-dated too infrequently.
- Analysts consider fiscal data on the governments they monitor to be adequate, and to have improved somewhat over the last 1-2 years. A number of them mentioned improved accessibility through posting of data on government web sites.
- Asked whether a more widespread use of accrual basis reporting would improve their ability to assess sovereign risk, on a scale of 1-5 (1 indicating no impact, 5 indicating major impact) the mean response was 3.4. Many respondents were more concerned about having data that is internationally comparable than with which accounting basis is used. A number also stressed the need for full reconciliation between accrual and cash numbers.
- Analysts place the highest priority on having data on off-budget expenditures, contingent liabilities, public debt net of financial assets, quasi-fiscal activities, the medium term fiscal outlook, and the sensitivity of the budget to changes in macroeconomic assumptions. Least interest was shown in non-financial performance information. Only 33 percent of respondents were aware of private sector assessments of fiscal transparency. Most of those who answered the question regarding the comparison of fiscal ROSCs to private sector assessments considered them to be complementary to fiscal ROSCs, rather than potential substitutes.
- Around 90 percent of respondents indicated that they would in future benefit more with the published material on fiscal transparency produced by the IMF or others.

Survey of Rating Agencies: Key Findings⁹

⁹ Petrie, M. 'Promoting Fiscal Transparency: The Complementary Roles of the IMF, Financial Markets and Civil Society', IMF Working Paper W/P/03/199, October 2003

In interviews with some ratings analysts, it was indicated that they particularly look to fiscal ROSCs for information on off-budget and quasi-fiscal activities and on contingent liabilities, while they rely on their discussions with the authorities for information on the medium term fiscal outlook and macrofiscal sensitivity. In this part, we also present a view on fiscal transparency provided by Civil Society Organisations (hereafter: CSO).

Summary of Views of Civil Society¹⁰

Two separate surveys were distributed: one to the groups participating in the CBPP's International Budget Project, the other to a broader group of international development CSOs. The main findings from the survey of international development CSOs were:

- Of the ten respondents, three were aware of the Fiscal Transparency Code, two were aware of fiscal ROSCs, and one had read and used part of a fiscal ROSC.
- Of the ten respondents, three were aware of NGO budget transparency studies, and two had read some part of a study.
- All ten respondents indicated they anticipated making more use in future of information published by the IMF on fiscal transparency.
- Presented with possible options for the Fund to disseminate information more actively on fiscal transparency, most support was expressed for issuing a periodic Press Notice indicating fiscal ROSCs completed in the previous period; and issuing a Press Notice in-country when each fiscal ROSC is published.

The main findings of the CBPP survey were:

- Of the five respondents, four were aware of the Fiscal Transparency Code and fiscal ROSCs, and one had read or used part of a ROSC.
- Respondents reported that there has been little improvement in budget and expenditure data published by the government and that it is insufficient for their needs.
- Asked about how the IMF could better publicize and disseminate its fiscal transparency initiative, most interest (4.4 average response out of 5) was shown in presentations to civil society groups and issuance of in-country press notices.

¹⁰ Ibid

4. Where are we now?

4.1. Who is who in fiscal reporting system?

Depending on the administrative and legal arrangements, there may be more than one level of government within a country, and the statistics should be made for each level. In the GFS system, provision has been made for three levels of government: central, state, provincial, or regional, and local governments. Not all countries have all three levels; some may only have a central authority or central government and a lower level. Other countries may have more than

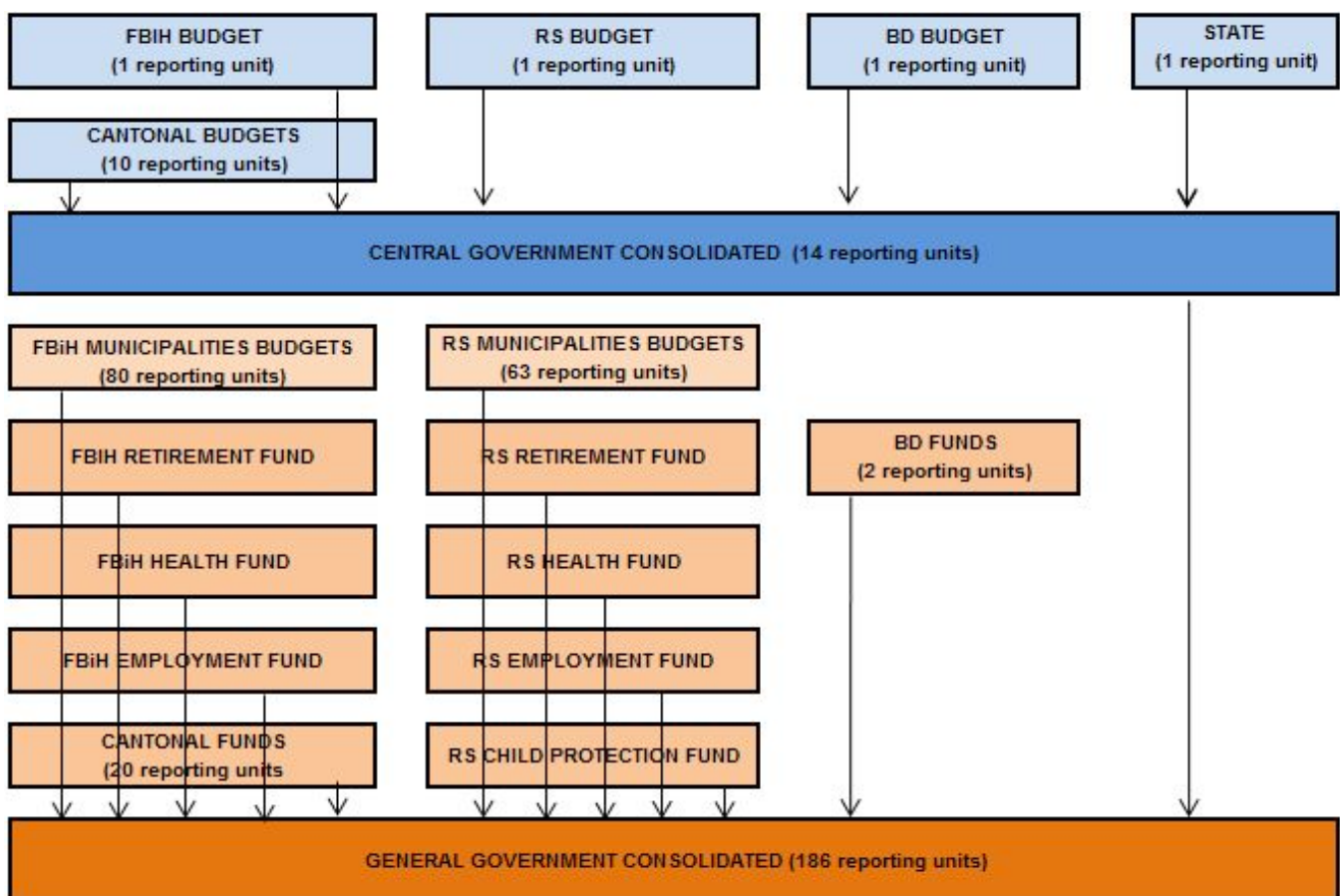


three levels. As it is suggested in this case, the various units should be classified as one of the three levels. In addition to the levels of government, the existence of social insurance funds and their role in fiscal policy may require preparation of statistics for all social security funds as a separate sub-sector of general government sector.

Problems with the classification and the consolidation may occur when the state operations are carried out by the general government unit which is concurrently responsible to two levels of government. Such a classification decision can be especially difficult if the agency has its own funding sources, such as reserved fees.

The general government according to the IMFs GFS Manual¹¹ consists of the central and local government and social contribution funds. In Bosnia and Herzegovina central government includes the budgets of: State, Brcko District, Republic of Srpska, Federation BiH and 10 cantons. The general government on the other side includes consolidated central government, local government (80 municipalities in Federation BiH and 63 municipalities in RS) and extra-budgetary funds (3 federal, 20 cantonal, 4 funds in RS and 2 funds in Brcko District).

¹¹ Available at: <http://www.imf.org/external/pubs/ft/gfs/manual/pdf/all.pdf>



It should be noted that, these structures aside, some countries unite all social insurance funds in a separate subsector. A decision which method suits a particular country depends also on how well are relevant social security funds organized and to what level are those funds independently controlled with respect to the state units with which they are associated. Management of social insurance funds is so closely integrated with short or medium-term requirements of the general economic measures of national policy that contributions are deliberately adjusted to the interests of overall economic policy.

Figure 1. Fiscal architecture of Bosnia and Herzegovina (author)

Compilation of statistics for the central government is of particular importance for its special role in the monetary and economic analysis. Fiscal policy, in the framework of an economy, influences the inflationary or deflationary pressures mainly through the central government finances. Usually, it is only on the central government level possible that the body responsible for making decisions can formulate and implement policy measures aimed at the general national economic goals.

The importance of compiling statistics for the local government, on the other hand, is also great. As the local government units (municipalities) are closest to the citizens, it is of great importance for social peace and the sense of security of the population, for the tax payers to see a link between revenues and expenditures of the local government.

Figure 1 is made on basis of present knowledge of author, however, it does not necessarily mean it is accurate. The emergence of new funds in the Brcko District, and in the FBiH and RS, is suggesting to the problem of sectorisation of government in Bosnia and Herzegovina. In fact, even today it is not clear which units make up general government sector and the public sector, and being unclear how big is the state's share in certain public enterprises, it remains an open question which of them should be included in the fiscal reporting. For example, public companies can conduct operations on behalf of state government units that possess them. Such activities may take place in numerous ways. Most directly, public companies can engage in specific transactions in the performance of government operations, such as lending to certain parties at interest rates lower than market rates, or sale of electricity to certain customers at reduced prices. More often, a public company can implement fiscal policy employing a larger number of persons than necessary, purchase additional means of production, paying prices higher than market funds or selling a portion of their products at prices that are less than those that would be market prices if only private producers would be involved in the process.

Statistics of public enterprises is also required during the compilation of comprehensive statistics of general government sector. For example, changes in the net value of public companies are reflected in the values of the founders' equity in those companies that are owned by general government units. Accounts of public companies will help in explaining the sources of changes in those assets, and this information will be useful for the analysis of sustainability, as well as other fiscal analysis. In Bosnia and Herzegovina such statistics do not exist.

Current fiscal data producers in BiH are:

a. Macroeconomic Analysis Unit

At the end of 2004 an initiative has been launched in which the emphasis was placed on monthly monitoring of fiscal operations at all levels of government. The initiative was based on the idea of establishing a department which would become a sort of a 'glue' to key fiscal authorities in Bosnia and Herzegovina. As at that time indirect taxes were collected at the state level and the Indirect Taxation Authority (ITA) became highest state fiscal instance which has provided fiscal linkages between all levels of government, the role of the department went to Macroeconomic Analysis (OMA) as part of the Governing Board of the ITA. MAU began to function by mid 2005 and in comparison to other institutions it has achieved very high level of transparency of its reports since consolidated monthly reports are delivered electronically and also published on MAUs website.¹² Although there is no legal obligation for reporting on

¹² MAU system of fiscal reporting was established in 2005. The system includes Units internet data base formed to collect monthly reports for various levels of government. Reports are available at:



monthly budget execution, the Department was successful in including all levels of government in the monthly reporting system. Benefits of fiscal reporting to the Unit are reflected in the following:

- Monthly reports are more useful for monitoring of budget execution than quarterly reports¹³
- The consolidation is done on the same principle for all levels, including local communities, while the central bank when including local community uses the consolidated financial statements of the cantons and RS
- Unit maintains direct contacts with all reporting units
- The Unit maintains a database of budgets that allows creation of reports on budget execution as opposed to what was planned

¹³ Benefits of monthly fiscal reporting more elaborated in Hallet A.H, Kuhn M, Warmedinger T. 'The gains from the early interventions in Europe: Fiscal Surveillance and Fiscal Planning Using Cash Data', European Central Bank, Working Paper Series No.1220, July 2010.

Odjeljenje za makroekonomsku analizu Upravnog odbora UINO

Одјељење за макроекономску анализу Управног одбора УИНС

ADMINISTRACIJA / АДМИНИСТРАЦИЈА

Izlaz / Излас

| | Uneseni i mijenjani podaci | Greške | | | | | | | | | | | | Adresar |
|--------------------------------|----------------------------|---|------|------|------|------|------|------|--|--|--|--|--|---------|
| | | PREGLED PODATAKA / ПРЕГЛЕД ПОДАТАКА 2011 | | | | | | | | | | | | |
| UNOS I IZMJENA | | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | | | | | | |
| FBiH Kantoni i opštine | | 2006 2007 2008 2009 2010 2011 2012 | | | | | | | | | | | | |
| FBiH Fondovi | | 2006 2007 2008 2009 2010 2011 2012 | | | | | | | | | | | | |
| PC Општине | | 2006 2007 2008 2009 2010 2011 2012 | | | | | | | | | | | | |
| PC Фондови | | 2006 2007 2008 2009 2010 2011 2012 | | | | | | | | | | | | |
| Brčko Distrikt | | 2006 2007 2008 2009 2010 2011 2012 | | | | | | | | | | | | |
| EXPORT PODATAKA | | 2006 2007 2008 2009 2010 2011 2012 | | | | | | | | | | | | |
| FBiH Kantoni i opštine | | 2006 2007 2008 2009 2010 2011 2012 | | | | | | | | | | | | |
| FBiH Fondovi | | 2006 2007 2008 2009 2010 2011 2012 | | | | | | | | | | | | |
| PC Општине | | 2006 2007 2008 2009 2010 2011 2012 | | | | | | | | | | | | |
| PC Фондови | | 2006 2007 2008 2009 2010 2011 2012 | | | | | | | | | | | | |
| Brčko Distrikt | | 2006 2007 2008 2009 2010 2011 2012 | | | | | | | | | | | | |
| Zbirni podaci | | 2006 2007 2008 2009 2010 2011 2012 | | | | | | | | | | | | |
| BUDŽETI | | 2006 2007 2008 2009 2010 2011 2012 | | | | | | | | | | | | |
| FBiH Kantoni i opštine | | 2006 2007 2008 2009 2010 2011 2012 | | | | | | | | | | | | |
| FBiH Fondovi | | 2006 2007 2008 2009 2010 2011 2012 | | | | | | | | | | | | |
| PC Општине | | 2006 2007 2008 2009 2010 2011 2012 | | | | | | | | | | | | |
| PC Фондови | | 2006 2007 2008 2009 2010 2011 2012 | | | | | | | | | | | | |
| Brčko Distrikt | | 2006 2007 2008 2009 2010 2011 2012 | | | | | | | | | | | | |
| Zbirni podaci | | 2006 2007 2008 2009 2010 2011 2012 | | | | | | | | | | | | |
| EXPORT PODATAKA BUDŽETI | | 2006 2007 2008 2009 2010 2011 2012 | | | | | | | | | | | | |
| FBiH Kantoni i opštine | | 2006 2007 2008 2009 2010 2011 2012 | | | | | | | | | | | | |
| FBiH Fondovi | | 2006 2007 2008 2009 2010 2011 2012 | | | | | | | | | | | | |
| PC Општине | | 2006 2007 2008 2009 2010 2011 2012 | | | | | | | | | | | | |
| PC Фондови | | 2006 2007 2008 2009 2010 2011 2012 | | | | | | | | | | | | |
| Brčko Distrikt | | 2006 2007 2008 2009 2010 2011 2012 | | | | | | | | | | | | |
| Zbirni podaci | | 2006 2007 2008 2009 2010 2011 2012 | | | | | | | | | | | | |

MAUs Internet based data-base screenshot

b. Central Bank

Central bank on its website publishes reports on consolidated general government produced by applying the IMF's standards (GFS). In its **Report on the Observance of Standards and Codes**¹⁴ (hereafter: ROSC), IMF states that Central Bank of Bosnia and Herzegovina, in terms of periodicity and timeliness, meets or exceeds GDDS guidelines.¹⁵ ROSC positively assessed the possibility of public access to fiscal information through Banks' disclosure on the website of all the necessary information, publications, reports and methodological explanations, but there are some fundamental methodological inconsistencies with the GFS standards, and there is delay in collecting the report, which has prolonged publication outside the provided deadlines. Although the Central Bank publishes reports which are officially produced in accordance with GFS standards, it is questionable how well 'umbrella' report and consolidated general government can be done when individual financial statements of lower-level authorities are not prepared in accordance with the aforementioned standards.

¹⁴ IMF, Bosnia and Herzegovina: Report on the Observance of Standards and Codes, Response by the Authorities and Detailed Assessment Using the Data Quality Assessment Framework (DQAF), IMF Country Report No.08/43, February 2008, p.62

¹⁵ IMF has developed two sets of standards for dissemination of fiscal data: General Data Dissemination Standard (GDDS) and Special Data Dissemination Standard (SDDS)

Another disadvantage of the report produced by the Central Bank is its production in (un) timely manner. Specifically, quarterly reports on consolidated general government are published three months after the expiration of the period, and annual reports on June 30th for the previous year. Furthermore, the fiscal reports should be used for analysis, fiscal projections and fiscal policy measures, and also the fiscal statistics should not be a primarily a task of the Central Bank.

c. Ministries of Finance on the entity level

When it comes to ministries of finance on entity level there is a certain asymmetry. RS Ministry of Finance has formed and kept centralised system of reporting whereas RS central government, municipalities and extrabudgetary fund deliver their report to authorised Ministry of Finance. Then aforementioned ministry produces quarterly consolidated report for Republic of Srpska and deliver them to MAU for further consolidation.¹⁶ They also include data on expenditure, revenues and financing on entity Road fund and foreign projects.

On the other hand, Ministry of Finance of Federation of Bosnia and Herzegovina does not produce consolidated reports nor they include road funds and foreign projects. They deliver quarterly reports on FBiH central government, cantons, extrabudgetary funds and municipalities to MAU and then MAU produces consolidated reports for Federation of Bosnia and Herzegovina. Process is somewhat altered with the new rule-book on budgetary reporting in March 2012.

¹⁶ Procedure established by IMFs Technical Memorandum

Legal framework for budgetary accounting in the Federation:

- Law on Budgets in the Federation BiH (FBiH Official Gazette 20/98);
- Law on the Treasury (Official Gazette of FBiH 58/02);
- Accounting Act (Official Gazette of FBiH 2/95 and 12/98);
- Regulation on accounting budgets in FBiH (Official Gazette 47/98);
- Regulations on budgetary accounting in FBiH (Official Gazette 56/02);
- Regulations on financial reporting and the annual financial report for the budget in FBiH (Official Gazette 30/99, 54/99, 17/05);
- Regulations on accounting budgets in FBiH (Official Gazette 56/02);
- Accounting standards in the FBiH (Official Gazette 50/98, 52/99, 54/00);
- International Accounting Standards no. 27 (since BiH has adopted accounting standards for the accountancy of budget users, the legal framework for this issue are the international standards);
- Guidance on the establishment and strengthening of internal control budget users, Official Gazette of FBiH 19/05 (internal accounting policies for budget users)

Legal framework for budgetary accounting and reporting in the RS¹⁷

- Law on Budget System of RS (Official Gazette RS 96/03, 14/04;/05);
- Law on the Treasury (OG RS 16/05);
- Accounting Act (OG RS 18/99 and 62/02);
- Rulebook on the content of individual accounts in the Chart of Accounts for revenue budget (Republic, municipalities and cities, budget and public funds) (Official Gazette RS br. 86/02, 1/04 and 90/10);
- Regulations on Accounting Policy for the budget of the RS (Official Gazette RS br.109/03, 07/05, 16/11 and 126/11);
- Regulations on financial reporting for users of budget revenues, municipalities, cities and funds (Official Gazette of RS No. 56/04, 62/04 11/05);

¹⁷ See: www.vladars.net

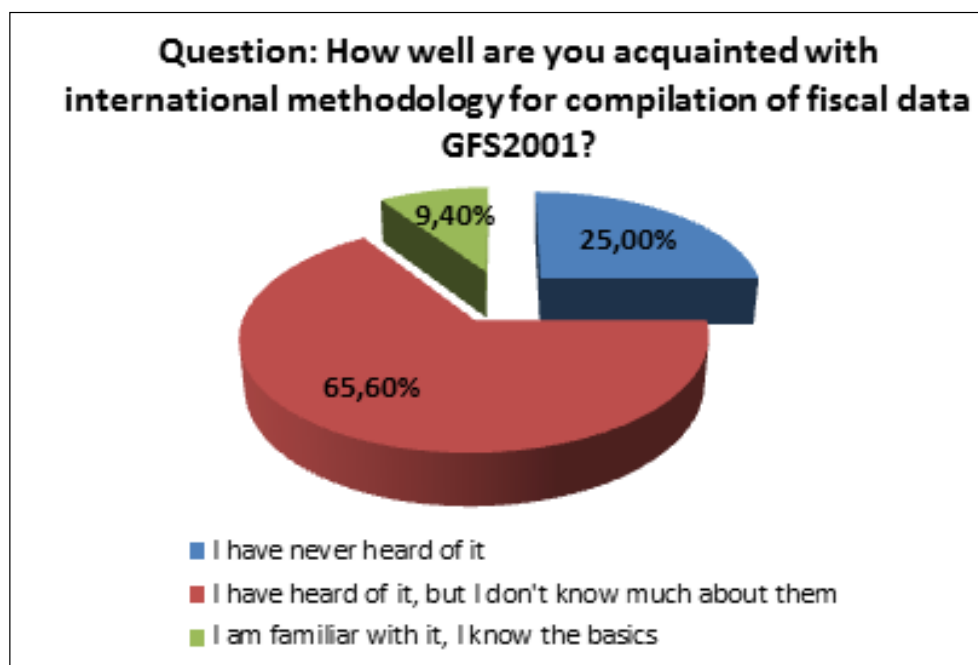


- International accounting standards for the public sector;
- Accounting standards of the RS (Official Gazette RS 18/99);
- Regulations on the implementation of international accounting standards for public sector (Official Gazette RS 06/05);
- Regulations on Methods and deadlines for the harmonization of accounting and inventory records with actual records Official Gazette of RS (37/00).

d. Cantons and municipalities

Cantons and municipalities in Federation of Bosnia and Herzegovina deliver their quarterly and annual data on budget execution to authorised Ministry of Finance and their monthly budget execution reports to MAU. The most important chain in reporting system is the lowest level, meaning municipality and cantonal level. Due to the fact that these levels make up a great share of overall budgetary expenditure, it is clear that it is essential that their reports are reliable and produced as the accounting standards prescribe. However, usually things go the other way around. In interviews with some reporting units, we reached the following findings:

- **Most of the reporting units are overloaded with various reports.** Despite this finding a large number of reporting units often produce internal reports on budget execution. 19.4% of respondents in the survey, conducted in municipalities of Bosnia and Herzegovina, have said that they make quarterly internal reports, 51.6% of respondents made monthly internal reports, and 22.6% of respondents even several times a month.
- **The share of employees in the municipal finance departments that have never heard of any international standards of fiscal reporting and transparency is high (25-30%).**



- During visits to some of the reporting units it was discovered (by accident) that a significant amount of money was credited to the wrong economic code (instead of the money transfer software companies recognized as material cost, the amount was booked to the irreversible transfers to the private sector).
- The delay in reporting was noted in most of the reporting units, primarily because of their fear that the preliminary reports will not match the final reports and the fact that there is

no rulebook on a monthly fiscal reporting. 45.2% of respondents (municipalities) responded that 15 days are required for the quality preliminary report, 22.6% stated that they need seven days, while 22.6% said that they needed up to a month for a quality preliminary report.

- When asked to rank the major problems they face in reporting, the highest average ranking had '**accrual accounting (accrual basis of expenditure)**' 3.5, while '**inadequate technical equipment of the department for financial reporting (Department of Finance)**' had an average ranking of 3.35.

'Before the reporting and when we post accounting, we encounter difficulties when determining on which account to post certain financial transactions, given the fact there is no explanation to the content of analytical accounts (Regulations on accounting budgets in FBiH explains the contents of the account up to the main group level - no explanation for subgroups, or analytical accounts). Published reporting forms are not harmonized with amended legal regulations, especially amendments to the analytic chart of accounts (Regulations on financial reporting and annual accounts of the budget in FBiH do not publish altered forms due to these changes). For example, the introduction of laws on income tax has repealed the tax on wages, and Form 5 (Specific data on wages and number of employees) was not harmonized with these changes.

Quarterly reporting to the International Monetary Fund was not adapted to our analytic chart of accounts: some of our accounts are missing, which then must be classified under the item "other" though it is a significant amount, some of accounts listed in the report differ by the textual description from textual description in our chart of accounts - How to fill in the report - by the economic code, or by textual description of the code, the IMF report does not transfer to lower consumer communities, it is also a problem to display the transferred liabilities, from prior year as the expenditure of the current year in the IMF's report, which are normally contained in the budget for the current year.'

Respondent's comment, when asked to list the most significant difficulties in reporting

The biggest discrepancies among chart of accounts are found between federal and RS charts. Brcko District and State Ministry of Finance and Treasury are using federal chart of accounts, so as federal extrabudgetary funds, cantons and municipalities. RS chart of accounts is used in RS municipalities and extrabudgetary funds. In Appendix 1 we present brief overview of the differences between RS and federal chart of accounts as well as possible bridge codes to GFS standards.

e. Agency for Statistics of Bosnia and Herzegovina

In many countries, the EU statistics agencies have much greater role in the dissemination of fiscal data. Having in mind that statistics take care for other statistics such as national accounts, the exclusion of bodies from the whole process of fiscal reporting is not natural. The national statistical office should be an independent agency that will verify the quality and integrity of fiscal statistics. Its activities and independence should be prescribed and guaranteed by law. Statistical Office should be the focal point for the collection of fiscal data and their dissemination. This is not the case in Bosnia and Herzegovina. Moreover, in GCFD no representative from the BHAS is included.

4.2. Consolidation requires communication

In order to fulfil the obligations under the Letter of Intent in the area of the fiscal statistics Fiscal Council has issued several decisions:



19th October 2009 - Group for Coordination of Fiscal Data has been established, consisting of representatives of the Ministries of Finance of the State, entities and Brcko District, the Central Bank and the Macroeconomic Analysis Unit of the Governing Board of the Indirect Taxation Authority.

1st April 2010 - MAU has been put in charge to coordinate the work of GCFD, to collect the data from lower levels of governments and to produce consolidated fiscal reports on general government of BiH in accordance with the reporting format required by the IMF. . General government includes the fiscal operations of the BiH institutions, BD, cantons, municipalities, extrabudgetary funds and Road funds.

1st April 2010 - it has also been decided that the general government consolidated reports, prepared by MAU, will be put at disposal at its website within 7 days after the end of reporting period.

Members of the GCFD also agreed with the IMF on the terms of IMFS Technical Memorandum. Overview of the terms and deadlines, task of individual institutions are attached in Appendix B. However, IMF's Technical Memorandum is not a legal document of one country, it is rather an agreement with a temporary validity.

5. What are the possible solutions?

All stakeholders agree that there is a lack of legal support to fiscal reporting system. It has become clear that in the past, as well as in the present, international pressure was used to implement certain reform. The question is what is going to happen next. Double-dip global recession is not going to evade BiH, but without quality and timely insight in fiscal developments, fiscal decisions cannot be made. That leaves us rudderless in a rough sea.

It is not fully clear how can it be done, considering that political will to deal with this issue is questionable. Having in mind the resistance to the fiscal sovereignty transmission from entity to state level and the overall asymmetry of the fiscal reporting system in BiH, it is clear that ideal solution does not exist. Based on the previous elaboration of the situation in BiH, following policy options could be isolated:

| Options: | | Status Quo | Decentralized system | Centralized system |
|----------|-------------------|---|--|---|
| Quality | | Various chart of account, non-comparable | Bridged chart of accounts | Unified chart of accounts on all levels |
| Time | Monthly reports | N/A | To the respective MoF, than to state level institution | Reporting to the state level institution directly |
| | Quarterly reports | To the respective MoF, NGOs, MAU, CB (overload) | To the respective MoF, than state level institution | Reporting to the state level institution directly |
| | Annual reports | To the respective MoF, NGOs, MAU, CB (overload) | To the respective MoF, than to state level institution | Reporting to the state level institution directly |

Interventions of the Fiscal Council with drafting, adopting and firm implementation of the legislation is necessary to support the reform of reporting process. IMFs Technical Memorandum has already put a framework to reporting deadlines, accepted by all reporting units. Imposing new discipline requires legislative support in the following areas:

- determining institution(s) that will be responsible for production of fiscal data, and in accordance with that establish an institution of data ownership
- harmonization of chart of accounts with the requirements of the international accounting standards and the standards of GFS2001 and ESA95
- sectorization of the government and create new coverage of the reporting units accordingly

Strengthening of the technological and human resources capacities of reporting units

This means that the reporting units should learn the international standards and overall reporting process as soon as possible. This would also require strengthening of the network of people involved in reporting process, because 'consolidation means communication'. Strong role in this process should be given to the Group for Consolidation of Fiscal Data of Council of Ministers. For the purposes of capacity strengthening one should consider the possibility of using different EU pre-accession funds for support to the reform of fiscal statistics.

GCFD should include the Agency for Statistics of BiH, which in the nearest future will become our country's agent in communication with the EUROSTAT.

Reporting on a single form for all levels of government is mission impossible. Therefore, one should not insist on a perfect solution, but rather to overcome the situational variables and to the so called 'bridging reports', at least for the near future. Progress which RS has achieved in the previous year should now force the Federal Ministry of Finance to 'pace-up' in this year

Ultimate fiscal responsibility for production of consolidated reports should belong to MAU of the GB ITA. MAU has already established the internet database for all of the reporting units which enabling them to enter their budgets and budget execution reports by themselves, which simplifies the production of the monthly consolidated reports. These monthly reports would be preliminary and would be corrected with quarterly and annual reports MAU would get from entities, state and BD.

Five years ago Bosnia and Herzegovina has launched significant fiscal reforms of indirect taxation process, which included the introduction of the value-added tax. At the same time public administration and budgetary process reforms at state and entity level have been launched. Given the complex decentralized fiscal and political structure of Bosnia and Herzegovina these reforms have yielded a limited success. Selection of a so-called 'European path', acceptance of the terms of European partnership and implementation of the Stabilization and Association Agreement with the EU have imposed new standards and new pace of fiscal reporting system reform in BiH. New opportunity to accelerate fundamental reforms in the fiscal sector and public administration generally means signing of the Stand-By Arrangement with IMF.

Setting up a reliable reporting system of Bosnia and Herzegovina could improve management, enable timely insight in fiscal developments and support decision making process. Obligations



stemming out of the European partnership, the Stabilization and Association Agreement and SBA commits the authorities in BiH to full implementation of the international fiscal and financial standards in the near future, which includes the standards of fiscal transparency. Given the importance of transparency in public finances for democratization of civil society reform in BiH, public finances should not be viewed solely through the prism of the closing of the budget deficits and a tool to overcome fiscal downturn, but also as an opportunity to accelerate the development of democracy and to improve the accountability of the government at all levels. This should ultimately, in addition to public finances reforms, relax the political relations and ease the process of the constitutional changes.

6. Appendices

Appendix A
Main differences between federal and RS chart of accounts

| GFS code | CATEGORY | FBIH CHART OF ACCOUNTS | RS CHART OF ACCOUNTS |
|----------|---|---|--------------------------------|
| 1 | REVENUE | | |
| 11 | Taxes | 710000 | 71 |
| | Direct taxes | | |
| 111 | Taxes on income, profits and capital gains | | |
| 112 | Taxes on payroll and workforce | 713000 | |
| 113 | Taxes on property | 714000 | 714 |
| 114; 115 | Indirect Taxes | 717000 | 716; 717 |
| | VAT | | |
| | Excise Duties | | |
| | Road and highway fees | | |
| | Customs and other import duties | | |
| | Other indirect taxes | | |
| 116 | Other taxes | 715000; 719000 | 715; 719; |
| 12 | Social contributions | 712000 | 712 |
| | Paid by individuals | 712110; 712130 | |
| | Paid by the central government on behalf of individuals | | |
| | Paid by companies | 712120 | |
| | Other | 712190 | |
| 13 | Grants | | |
| | Domestic | 733110; 722751 | 7312; 731119; 731129 |
| 131; 132 | Foreign | 733120; 731110; 812110; 731120; 812120 | 731111; 731112; 731121; 731122 |
| 14 | Other (non-tax) revenue | | |
| 141 | Property income | 721110 (except 721111); 721200; 721300 | 721 |
| GFS code | CATEGORY | FBIH CHART OF ACCOUNTS | RS CHART OF ACCOUNTS |
| 1 | REVENUE | | |
| 142 | Sales of goods and services | 721120; 722000 Except 722700; | 722 |
| 143 | Fines, penalties, and forfeits | 723000 | 723 |
| 142 | GSM fees | 721214 | |
| 1412 | Dividends | 721111 | |
| 145 | Other non-tax revenue (incl. fees, etc.) | 721400; 721500; 721700; 722700 (except 722731); 7770 | 729 |
| 133 | Transfers from other general government units | 732100; 812200 | 781; 782 |
| | State institutions | 732111; 812211 | 7811 |
| | Central government | 732112; 812212 | 7812 |
| | Cantons | 732114; 812114 | |
| | Municipalities | 732115; 732116; 812215; 812216 | 7813; 7814 |
| | Social funds | 732130; 732140 | |



| | | | |
|--|---------------------------------------|--------|-------------------|
| | Pension fund | 732140 | 781511 |
| | Transfers for privileged pensions | | |
| | Transfers for general regime pensions | | |
| | Health fund | 732132 | 781512 |
| | Employment fund | 732131 | 781514 |
| | Children's fund | | 781513 |
| | Road and highway funds | | |
| | Other | | 781515; 7819; 782 |

| GFS code | CATEGORY | FBIH CHART OF ACCOUNTS | RS CHART OF ACCOUNTS |
|----------|--|---|---|
| | EXPENDITURE | | |
| 2 | Expense | | |
| 21 | Compensation of employees | | |
| 211 | Wages and salaries | 611000 | 4111 (without 41119) |
| 211 | Allowances | 611200 | 4112 (without 41129) |
| 212 | Employers' social contributions | 612000 | 41119; 41129 |
| 212 | Employees' social contributions | 611130 | |
| 22 | Use of goods and services | 613000 | 412 |
| 27 | Social benefits | 6142 | |
| 271 | Social security benefits | | 417 |
| 272 | Social security allowances | | 416 |
| | Transfers to civilian disabled | 614242 | |
| | Transfers to civilian victims of war | 614239 | |
| | Transfers to war disabled, war veterans, metal holders, and demobilized soldiers | 614232 | |
| | Other social security allowances | 614231 | |
| | Other transfers to individuals and households | 614233; 614234; 614239; 614241 614243 | |
| 24 | Interest | 616000 | |
| 241 | Interest payments to non-residents | 616200 | 41312; 41322; 4134; 41352; 413612; 4137; 4138; 4139 |
| 242 | Interest payments to residents other than general government | 616300; 616500 | 41311; 41321; 4133; 41351; 413611 |
| 25 | Subsidies | | 414 |
| 251 | To public corporations | 614400 | |
| 252 | To private enterprises | 614500 | |
| 26 | Grants | | |
| | Domestic | | 41522; 41524 |
| 261; 262 | Foreign | 614700; 615700 | 4151 |

| | | | |
|------|--|---|--------------------------------------|
| 263 | Transfers to other general government units (current and capital) | | 481; 482 |
| | State institutions | 614111; 615111 | 4811 |
| | Central government | 614112; 615112 | 4812 |
| | Cantons | | |
| | Transfers for deficit financing | 614114 | |
| | Other transfers (earmarked) | 61412; 61413; 61414 | |
| | Municipalities | 614115; 614116; 615115; 615116 | 4813; 4814 |
| | Social funds | | |
| | Pension fund | 614115 | 481511 |
| | Transfers for privileged pensions | | |
| | Transfers for general regime pensions | | |
| | Health fund | 614170; 615120 | 481512 |
| | Employment fund | 614160; 615130 | 481514 |
| | Children's' fund | | 481513 |
| | Road and highway funds | | |
| | Other | 614180; | 481519; 4819; 482 |
| 23 | Consumption of fixed capital | | |
| 282 | Other expense | | |
| 2821 | Current | | |
| | Budget reserve | 600000 | |
| | Current transfers to financial enterprises and NGOs | 614300; 614600 | 41521; |
| | Other current expense | 614800 | 41522 |
| 2822 | Capital transfers | | |
| | Capital transfers to individuals, financial and nonfinancial enterprises, and NGOs | 615200; 615300; 615400; 615500; 615600; | 41523 |
| | Cost of lawsuits - court awards | | |
| | Other capital transfers | 615113; 615117 | 41524 |
| 31 | Net acquisition of nonfinancial assets | | |
| 31,2 | Acquisition of nonfinancial assets | 821000 | 511; 512; 513; 514; 515; 516; 517 |
| | Foreign financed capital spending | | |
| | Domestically financed capital spending | | |
| | Escrow account | | |
| 31,1 | Disposal of nonfinancial assets | | 811; 812; 813; 814; 815; 816; 817 |
| | Succession funds | 811126 | |
| | Other | 811100 (ex- cept 811122; 811123 and 811126); 811900; 811200 | |



Appendix B Data Reporting Requirements under the Technical Memorandum between BiH and IMF

| Data series | Data frequency | Periodicity of data reporting | Timeliness of data reporting | Data source |
|---|----------------|---|--|---|
| Daily data reporting | | | | |
| (i) Deposits, by bank | Daily | Weekly | Up to 14 working days after the end of each week | CBBH |
| (ii) Gross international reserves | Daily | Weekly | Up to 14 working days after the end of each week | CBBH |
| (iii) CBBH foreign exchange purchases and sales | Daily | Weekly | Up to 14 working days after the end of each week | CBBH |
| Monthly data reporting | | | | |
| (i) The balance sheet of the CBBH. | Monthly | Monthly | Up to 3 weeks after the end of each month | CBBH |
| (ii) The commercial bank survey and monetary survey | Monthly | Monthly | Up to 3 weeks after the end of each month | CBBH |
| (iii) Banking supervision financial soundness indicators, including capital adequacy ratio, loan-loss provisioning data, nonperforming loan data. | Monthly | Monthly | Up to 3 weeks after the end of each month | CBBH |
| (iv) Weighted average interest rates by bank and by type of loans | Monthly | Monthly | Up to 3 weeks after the end of each month | CBBH |
| (v) Net foreign exchange position, by bank | Monthly | Monthly | Up to 3 weeks after the end of each month | |
| a) FBiH Banking Agency | Monthly | Monthly | Up to 3 weeks after the end of each month | FBA |
| b) RS Banking Agency | Monthly | Monthly | Up to 3 weeks after the end of each month | RSBA |
| (vi) Exposure of foreign parent bank to its subsidiary(ies) in BiH (amount of deposits, loans and subordinated loans from foreign parent banks). | Monthly | Monthly | Upon request with significant delay | CBBH |
| (vii) Data on direct bank cross-border claims on BiH corporations and households (along the lines reported by the Bank for International Settlements in its Table 9C: Consolidated Banking Statistics). | Monthly | Monthly | Up to 3 weeks after the end of each month | CBBH |
| (viii) Detailed information on | Monthly | Monthly | | |
| (a) banking sector credit to the general government (by level of government), and | Monthly | Monthly | Up to 3 weeks after the end of each month | CBBH |
| (b) government deposits in the banking sector (Table 1). | Monthly | Monthly | Up to 3 weeks after the end of each month | CBBH |
| (ix) Revenues, expenditures and financing data for central governments (the State, and the Entity governments). Expenditures will include those financed from deposits in the escrow accounts. | Monthly | Monthly MAU data could be used for monthly monitoring | Up to 3 weeks after the end of each month | Ministries of finance; |
| (x) ITA revenues. | Monthly | Monthly | Up to 3 weeks after the end of each month | Indirect taxation Authority |
| (xi) New external loans contracted or guaranteed by governments. | Monthly | Monthly | Up to 3 weeks after the end of each month | MoFT |
| (xii) New domestic loans contracted or guaranteed by governments. | Monthly | Monthly | Up to 3 weeks after the end of each month | Ministries of Finance of FBiH and RS, Debt offices of RS and FBiH |

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|---|-----------|-----------|--|--|
| (xiii) Domestic debt payments (interest, amortization) by level of government | Monthly | Monthly | Up to 3 weeks after the end of each month | Ministries of Finance of FBiH and RS, Debt offices of RS and FBiH |
| (xiv) Report on inflows into and outflows from escrow accounts (FBiH, RS). | Monthly | Monthly | Up to 3 weeks after the end of each month | |
| a) FBiH | Monthly | Monthly | Up to 3 weeks after the end of each month | CBBH |
| b) RS | Monthly | Monthly | Up to 3 weeks after the end of each month | |
| (xv) Transfers to the Entity Development Banks from the Entity central governments. | Monthly | Monthly | Up to 3 weeks after the end of each month | |
| Quarterly data reporting | | | | |
| (i) Banking supervision: financial soundness indicators, quarterly | Quarterly | Quarterly | Up to five weeks after the end of each quarter | CBBH |
| (ii) Banking supervision: commercial bank's balance sheets (by bank) | Quarterly | Quarterly | Up to five weeks after the end of each quarter | Banking Agencies |
| (iii) Banking supervision: commercial banks' income statement (by bank) | Quarterly | Quarterly | Up to five weeks after the end of each quarter | Banking Agencies |
| (iv) Revenues, expenditures and financing data for municipalities (in both entities), and cantons (in the Federation). | Quarterly | Quarterly | Up to five weeks after the end of each quarter | Usually FBiH and RS MoFs; some data also available from MAU |
| (v) Revenues, expenditures and financing data for the Brcko District. | Quarterly | Quarterly | Up to five weeks after the end of each quarter | Brcko District Finance Directorate |
| (vi) Revenues, expenditures and financing data for the road funds. | Quarterly | Quarterly | Up to five weeks after the end of each quarter | FBiH and RS Road Funds |
| (vii) Revenues, expenditures and financing data for the extrabudgetary funds (pension funds, health funds, unemployment funds and (in the RS) the children's fund). | Quarterly | Quarterly | Up to five weeks after the end of each quarter | Usually FBiH and RS MoFs; some data also available from MAU and CBBH GFS |
| (viii) Financial statements of | Quarterly | Quarterly | | |
| (a) the RS Investment and Development Bank, and | Quarterly | Quarterly | Up to five weeks after the end of each quarter | IRBRS |
| (b) Federation's Development Bank. | Quarterly | Quarterly | Up to five weeks after the end of each quarter | |
| (iv) External debt service projections for current year; total, by creditor, by level of government, and in original currency | Quarterly | Quarterly | Up to five weeks after the end of each quarter | MoFT |
| (x) Summary of government guarantees. | | | Up to five weeks after the end of each quarter | |



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|--|-----------|-----------|--|-----------|
| (xi) Summary of government foreign loans and degree of concessionality (grant element); total, by creditor, by purpose (project/budget support) and original currency | Quarterly | Quarterly | Up to five weeks after the end of each quarter | State MOF |
| (xii) Summary of short-term loans by government, by creditor. | Quarterly | Quarterly | Up to five weeks after the end of each quarter | |
| (xiii) External debt service payments (interest, amortization) by level of government | Quarterly | Quarterly | Up to five weeks after the end of each quarter | MoFT |
| (xiv) Summary of foreign loan disbursements, by creditor, by level of government, by purpose (project/budget support) and original currency | Quarterly | Quarterly | Up to five weeks after the end of each quarter | MoFT |
| (xv) Stock of external debt for | Quarterly | Quarterly | | |
| (a) public sector; | Quarterly | Quarterly | Up to five weeks after the end of each quarter | MoFT |
| (b) private nonbank sector and | Quarterly | Quarterly | Up to five weeks after the end of each quarter | CBBH |
| (c) banking sector. | Quarterly | Quarterly | Up to five weeks after the end of each quarter | |
| (xvi) Summary of domestic loan disbursements, by creditor, and by level of government. | Quarterly | Quarterly | Up to five weeks after the end of each quarter | |
| (xvii) Stock of domestic debt outstanding, by level of government; and projected domestic debt service payments (interest, amortization). | Quarterly | Quarterly | Up to five weeks after the end of each quarter | |
| (xviii) Report on project and budget support grants for general government prepared by MOF BiH Unit for coordination of international economic aid. The unit will also coordinate data flow from federation, RS and local governments. | Quarterly | Quarterly | Up to five weeks after the end of each quarter | MoFT |

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A "Policy Development Fellowship Program" has been launched by the Open Society Fund BiH in early 2004 with the aim to improve BiH policy research and dialogue and to contribute to the development of a sound policy-making culture based on informative and empirically grounded policy options. The program provides an opportunity for selected fellows to collaborate with the Open Society Fund in conducting policy research and writing a policy study with the support of mentors and trainers during the whole process. Eighty one fellowships have been granted since the starting of the Program.