# GOVERNMENT FINANCE STATISTICS

GENERAL GOVERNMENT OPERATIONS

(Short description of methodology)

# Introduction

This note explains the purpose of government finance statistics, particularly the statistics in the tables attached, the methodology and sources used to compile the statistics, and future developments.

# Purpose of government finance statistics

Government finance statistics (GFS) of the type covered in the attached tables are designed to provide comprehensive statistics that enable government policy makers and analysts to study developments in the financial operations of the general government sector in BH in a consistent and systematic way. The GFS analytic framework can be used to analyze the operations of a specific level of government and transactions between different levels of government, as well as the total general government sector. These statistics can be used for such purposes as assessing the size of the general government sector in the overall economy; its contribution to total demand, investment and saving; the impact of fiscal policy on the economy, including resource use and indebtedness; the tax burden, and so on.

Because GFS data are based on the same conceptual framework as other macroeconomic statistics, they can be directly compared to other macroeconomic statistics, such as the national accounts, balance of payments and monetary statistics, based on IMF statistical standards.

# Methodology

The basic conceptual framework used for compiling the attached statistics is closely related on the international standards for GFS, produced by the IMF and published in the GFS Manual 2014. That Manual has created a comprehensive analytical framework that systematically records and settles both transactions (operations) and balance sheets, primarily using the accrual basis, rather than a cash basis for the time of recording transactions. Various balancing items (such as net operating balance) are defined, based on the needs for fiscal analysis.

Four main statistical statements are defined in the GFS methodology, three based on accrual account i-ng (Government Operations, Other Economic Flows, and Balance Sheet) and one on a cash basis (Sources and Uses of Cash). The attached tables relate just to Statements of Government Operations. Compilation of other above-mentioned statistical reports depends entirely on availability of necessary data, e.g. data sources.

# Government Sectors

The attached tables on government finance statistics relate to the transactions of the *general government* sector of the BH economy and its sub-sectors. In accordance with the GFS Manual, the general government sector is defined to cover all entities that fulfill the functions of government as their main activity. It does not cover government-owned business enterprises producing goods and/or services, and making profit when selling those at economic prices. General government also includes social security funds, i.e. funds for pension – disability insurance[[1]](#footnote-1),, employment, health and child care, as well as funds for professional rehabilitation and employment of persons with disability, and the Solidarity Fund in RS, extrabudgetary funds for construction of roads, i.e. PE Directorate for construction and maintenance of roads, of all levels of government, as well as PE highways in both Entities, and the Fund for aid to the natural disaster struck areas on the FBH territory.

For analytic purposes and as the basis for international comparisons, the GFS Manual divides the general government sector into several standard sub-sectors: central government; state, provincial or regional; social security funds and local government. *Central government* is the level of government whose political authority extends over the whole territory of a country and typically includes responsibility for taxation, defense, international relations, social security, education, and economy policy. A *State, provincial or regional government* is the largest geographical area into which the country as a whole can be divided for political or administrative purposes. *Local government* units are the smallest geographical areas created for political or administrative purposes.

In applying this classification of general government sub-sectors to BH, only the local government sub- sector can readily be compared with other countries, but it does not play a relatively large role in fiscal operations in BH. The central government in BH has much more limited functions than the case is in other countries. Since January 1, 2005 customs, excise, sales tax on excisable products and road tolls are collected on a single account, and distribution of that revenue between different levels of government is based on the Key set by the Indirect Taxation Authority. On the other hand, in BH, the governments of the two "entities" and Brčko District have competencies over most government operations at this stage, though only within their own territories.

Further on, the cantons in BH have rather similar powers compared to a state government in the GFS classifications, but only the Federation has cantons. Hence, to facilitate comparison between the two Entities' government operations, cantons have to be consolidated with the federal level of the Federation of BH.

Thus, for the purpose of international comparability, *"central government"* is defined in GFS for BH as the consolidation of *all level of governments except municipal* one, which is classified as local government.

# Data sources

Accounting data that supports the budget operations of the Ministries of Finance at State, entity, canton and Brčko District levels, together with data from the various extrabudgetary and social security funds, provide the basic data source for GFS. The various ministries of finance and other reporting sources have been extremely cooperative with the CBBH in providing annual budget reports and other information needed, particularly special reports from the ORACLE Treasury computer system for GFS compiling. For compilation of annual GFS source data from 54 reporting units are used, out of which two reporting units refer to municipalities - one reporting unit per each Entity.

# Coverage of present statistics

The present statistics relate to Annual Statement of Government Operations, covering all of BH general government sector operations. Apart from the annual reports, since June 30, 2004, periodical reports on government operations are produced on the quarterly basis, without available data on local community- municipality level and on Public Enterprises Directorates for road and highways reconstruction and maintenance, and funds for professional rehabilitation and employment of persons with disability. Those data are necessary for their inclusion in the quarterly reports.

The Statements of Government Operations does not include, at this stage, as an expense an item for consumption of fixed capital, because those data have not been available. In all other respect, the Statements have the same coverage and classification as specified in the GFS Manual.

# Definitions of selected items from report (detailed descriptions can be found in the GFS Manual 2014)

*Accrual basis of accounting recording* - a recording system, in which the recording time of certain value flows is the time when economic value is created, transformed, exchanged, transferred or extinguished.

*Gross operating balance* - Revenue minus expense other than consumption of fixed assets, unlike net operating balance.

*Net acquisition of non-financial assets* – Gross acquisition of fixed assets minus fixed assets consumption to which changes in inventories and transactions of other non-financial assets are added.

*Transactions in financial assets*- are presented in the table as net increase of each financial asset category and net increase of each liability category. Transactions that increase liabilities are referred to as the incurrence of liability. Transactions that decrease liabilities are variously titled repayments, reductions, redemptions, liquidations or extinguishments. Therefore, results of transactions in a certain category of financial assets are presented as net acquisitions.

*Balance sheet –* is a statement of values of stock positions of assets owned and liabilities owed by institutional unit or group of units, drawn up in respect of particular point in time. Balance sheet is compiled at the end of reporting period.

# Future developments

CBBH plans to expand the reporting coverage to a level of local government and extrabudgetary funds, that is, to compile and report them together with central government finance statistics on quarterly basis. However, the realization of above mentioned goals depend entirely on availability of necessary data, that is, data sources.

Compilation of General government financial balance sheet on annual level, started in 2016 on regular basis, as a part of General government balance sheet report. In future, depending on available data, intention is to start also producing reports on quarterly level.

A significant problem in compiling GFS, which would worsen unless resolved for quarterly statistics, relates to the accounting classifications used by the various ministries of finance, extrabudgetary and social security funds. Each of the entity and State Treasuries uses a different chart of accounts as the basis for their accounting system, which in turn is used for reporting budget data to CBBH. Also, frequent changes are made to the charts of accounts and hence to the classification of accounting data.

Because the compilation of GFS requires the strict use of a standard classification of accounts, it is an extensive task for CBBH, after obtaining detailed accounting data from ministries of finance, to reclassify the hundreds of items according to the standard GFS classification, particularly when the various charts of accounts are continuously changing.

CBBH will therefore be discussing with ministries of finance on possible means of obtaining more

standardized accounting data both to simplify the compilation task and enable more timely data to be published.

1. Since 1 January 2016, RS Pension - Disability fund is included in RS budget, hence excluded from social security funds sub-sector [↑](#footnote-ref-1)