3. Bosnia and Herzegovina: Multisector Statistics

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The Immediate Postwar Setting

General Background

3.1 Bosnia and Herzegovina (BiH) in 1996 emerged from a four-year war that had commenced only a month after the country had declared independence from the Socialist Federal Republic of Yugoslavia. The conflict left more than 200,000 people (about 5 percent of the population) dead, half the population displaced abroad and locally, and the civil infrastructure, including housing, severely damaged.

3.2 The Dayton Agreement that led to the end of the war in December 1995 divided the country into two entities, the Federation of BiH (Federation) and Republika Srpska (RS). Under the Dayton Agreement, the main constitutional powers were assigned to each entity, leaving the State (the term generally used to describe the central government) with foreign affairs, monetary policy, foreign debt service, trade and customs policies, and some more limited functions. The Agreement provided for the Stabilization Force (SFOR) to assume military control to ensure peace and for the Office of the High Representative (OHR), appointed by the 50-member Peace Implementation Council, to be responsible for civilian implementation of the Agreement.

3.3 The economic situation of BiH in the immediate postwar period is reflected in an estimated GDP of US$2.8 billion (per capita US$665) in 1996 compared with US$10.6 billion prewar (1990) (per capita US$2,446). In addition, there were high unemployment, low output from the mainly government-owned enterprises, and circulation of several currencies.

3.4 With military control and civilian guidance from the international community (IC) accompanied by large official aid flows and assistance from international financial organizations, reconstruction began quickly. Governments were established, administrative agencies created, and a new central bank established with a currency board arrangement that provided full currency convertibility and contributed to a progressive lowering of inflation.

3.5 Substantial international donor assistance was committed at the end of the war (some US$5 billion for civilian aid over a three-to-four year period). In addition to the SFOR and the OHR, many international and regional organizations, together with foreign government agencies and hundreds of nongovernment organizations, established a significant presence in BiH. BiH joined the IMF one week after the Dayton Agreement was signed. In the first few postwar years, humanitarian aid and reconstruction were the main focus of donor assistance. Substantial military and civil assistance was undertaken directly by donors and not channeled through government budgets.

Statistical Situation

Statistical organization

3.6 The structure of the postwar statistical services reflected the constitutional powers and government structures established by the Dayton Agreement. Prewar, the main headquarters statistical office for BiH was the regional office of the Yugoslav Statistical Institute in the capital, Sarajevo, with small offices elsewhere. That office began to operate independently in 1992 and evolved in 1997 into the Federation of Bosnia and Herzegovina Federal Institute of Statistics (FIS), operating under the Statistics Law of 1995.

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1 The map at the beginning of Chapter 4 (Map 4.1) may be a helpful reference.
the Federation, the government has a decentralized structure of 10 cantons (which spend about half of the total Federation budget), each with municipalities. Thus, the FIS has statistical staff in the cantons for data collection, while a few large cantons have their own statistical offices.

3.7 In RS, the government has a more centralized structure with only the central government and municipalities. Thus, the small former statistical office of the Sarajevo branch became the nucleus for the RS Institute of Statistics (RSIS) during the war and operated under a new statistics law from 1996. Hence, in the immediate postwar period, RSIS started with a much smaller staff (less than 100) and was also substantially isolated from international statistical TA for the initial postwar years. Because numerous experienced staff had left the country, many postwar staff were new and inexperienced. In 2001, following the creation of the small District of Brcko, with powers similar to those of the entities, a Brcko Bureau of Statistics was established with three staff within the Revenue Agency, and a statistics law was provided.

3.8 Each entity statistical office operated largely independently and sought to compile and publish basic statistical data, mostly based on limited administrative by-product data. Staff had generally been trained under the statistical system of the former Yugoslavia, and both statistical institutes were using Yugoslavian methodologies, which differed significantly from international statistical standards. Until the establishment of the Agency for Statistics of Bosnia and Herzegovina (BHAS) in Sarajevo in August 1998 with encouragement of the IC, no coordination of entity statistics took place, and no official data were compiled at the country level. Having only nine staff, the fledgling BHAS operated under the State Council of Ministers (COM) without any statistical legislation.

3.9 In 1997, BiH established an independent central bank—the Central Bank of Bosnia and Herzegovina (CBBH)—under the Law on the Central Bank of BiH. The Bank initially assumed central responsibility for monetary statistics and later assumed responsibility for balance of payments and government finance statistics, in accordance with Article 68 of the law, which empowered it to collect statistics on “economic and financial matters.” The statistical offices were responsible for other statistics, notably real sector statistics.

### Statistical output

3.10 For the real sector, the FIS had produced, since 1995, national accounts in current prices based on the IMF’s *System of National Accounts 1993 (1993 SNA)* and confined largely to GDP on a production basis. On the other hand, RSIS continued to publish national accounts according to the Material Balances System. Both entities used accounting reports and other administrative data collected by the payment bureaus as the main data source for the national accounts. Retail price indices, published by both entities, were proxies for consumer price indices and were based on generally sound methodological principles but with seriously outdated weights. A producer price index (PPI) was available for the Federation but not for RS. Labor statistics were weak for both entities. No population census had been done since 1991, and, owing to the massive movements of people in and out of the country during the war, the country had no reliable population statistics.

3.11 Balance of payments statistics were not compiled. The CBBH commenced this task in 1998. No government finance statistics (GFS) were compiled by the authorities for the consolidated general government in BiH. Budget data available from entity ministries of finance and the state treasury used nonstandard classifications, excluded substantial military and civilian expenditures externally financed “off-budget,” excluded significant expenditure arrears, and suffered from problems with the time of recording.

3.12 No countrywide monetary statistics were compiled at the beginning of 1996. However, by year end, monetary data began to be reported to the IMF. Soon afterward there was a transfer of responsibility for this task from the National Bank of BiH (NBBH) to the CBBH.

3.13 The statistical outputs in the immediate postwar situation, therefore, were very limited indeed. Except for monetary data compiled in 1996, country-level macroeconomic statistics did not exist, owing to three factors: the socialist origin of the statistical offices in a prewar centrally planned economy, a government structure where entities had the main responsibilities for compiling statistics, and the lack of a state statistical office to ensure consistency and coordination.

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3.14 Real sector statistics were especially limited, were based on differing standards in the two entities, and suffered from the lack of directly collected data based on 1993 SNA requirements. The main source of data for the national accounts, for example, was accounting reports. These reports were not lodged by all registered incorporated businesses, there was a growing number of unregistered and unincorporated businesses, and reported data were affected by tax evasion. More generally, the substantial growth in the nonobserved economy was largely omitted from national accounts estimates.

3.15 The capabilities of the statistical offices were constrained by a lack of training in international statistical standards, inadequate staff (especially in RS), very inadequate office space in RS, the lack of even the bare minimum of computing and other office equipment, lack of coordination, and serious deficiencies in source data. There was no statistics legislation at the State level, and both the entity statistical offices operated under new legislation that was not consistent with international best practices. There appeared to be little government priority for improving statistics.

Strategies and Plans, Implementation, and Outcomes

Introduction

3.16 A notable feature of postwar TA in statistics to BiH is that there were no agreed overall strategies or plans for improvement on the part of governments or donors. In other words, no broad, let alone detailed, plan was devised by donors or BiH governments to deal with matters such as the following: (i) which BiH agency would be responsible for which statistics, (ii) how country-level statistics would be coordinated and produced, (iii) which international standards should be used, (iv) which statistical outputs were priorities and by when they should be finished, (v) how a reasonable balance between economic and social/demographic statistics was to be struck, and (vi) how those statistics were to be produced. The reasons for this lack of overall strategy and plans can be ascribed mainly to the following factors: the highly decentralized structure of BiH government, particularly the lack of an effective State body to coordinate statistical developments; the focus of governments on the many pressing problem areas of a postconflict society; and the lack of coordination among foreign donors. Donors did indeed coordinate somewhat on a few specific statistical activities but not in terms of overall strategies or agreed plans.

3.17 Most TA in statistics in postwar BiH can be divided into four periods: the initial postwar years 1996–97, with little TA in statistics; the next couple of years 1998–99, when donors mainly developed their longer-term programs for assisting BiH; the period 2000–2003, when most donors extensively trained BiH statisticians or initiated some statistical collections and when a new State statistics law was established. The fourth period is just beginning, with serious though limited donor support for priority data collections and at least the opportunity for a much more fruitful phase in donor TA, especially because of developing improvements in the government organization of statistics in BiH.

3.18 IMF TA in statistics followed a different pattern than that described above. Focused TA began in 1996 and continued thereafter, aiming at measurable results in compiling needed macroeconomic statistics and at the same time establishing adequate legislation, institutional capabilities, and statistical infrastructure. Nevertheless, it is convenient to consider all donor statistical strategies under these four periods.

1996–97—Initial Postwar Years—A Limited Focus on Statistics

Strategies and plans

3.19 As stated above, no overall strategies and plans were developed during this period. The two entities’ statistical offices were largely left on their own to acquire knowledge of international statistical methodologies while continuing with limited statistical output. However, late in the period some European Commission (EC) programs were available to provide some study visits to European Union (EU) countries, some training abroad, and attendance at some technical working groups and meetings in the Statistical Office of the European Communities (Eurostat) and elsewhere.

Implementation and outcomes

3.20 Significant initiatives were taken in developing monetary statistics. With IMF assistance, including two missions, the NBBH developed monthly monetary statistics during 1996 for policymaking purposes and for reporting to the IMF and other users. During 1997, with the establishment of the CBBH, an IMF
mission worked with the CBBH to transfer the capability to new statistical staff and to resolve new problem areas. This served as the basis for regular compilation of the monthly monetary statistics from January 1997 and for dissemination in the IMF’s *International Financial Statistics* (IFS) and by the CBBH. Monetary statistics were the first sector of macroeconomic statistics based on international standards that were produced by BiH.


**Strategies and plans**

3.21 During this period, the major goal of donors was the establishment of a State agency with the role of coordinating the development of country-level statistics and negotiating with donors. Without such a body, donors were concerned that little country-level statistical development would occur.

3.22 The EC and Swiss Federal Statistical Office also sought to meet some immediate office and equipment needs of the entity and new State statistical offices. The EC also planned some expert support to the BHAS to assist it in undertaking its new coordination role. Also, the EC planned continued funding for BiH statisticians to attend expert meetings in Eurostat and for study visits to some EU countries. Some EC consultancies for countries in the program, Poland Hungary Action for Reconstruction of the Economy (PHARE), proposed that assessments be made of social, regional, and education statistics, and of household surveys and classifications.

3.23 In these years, donors developed their longer-term strategies and plans for TA to BiH statistics. Following the creation of the BHAS as the prerequisite for further donor assistance, BHAS sponsored the first significant international donors’ meeting for TA in statistics, held in Sarajevo in November 1998 and chaired by the OHR (a preliminary meeting of selected donors had been held in Geneva in January 1998). Donors were now prepared to consider technical support for BiH statistics. The Italian National Institute of Statistics (ISTAT) had assisted in arranging the meeting by coordinating among donors and BiH statistical offices. The IC was widely represented at the meeting.

3.24 The BHAS and the entity institutes had each thought in broad terms about their needs, and they outlined their requests for TA. BHAS proposals included in particular (in order of priority) English training for all staff; a population census in 2001; demographic statistics; statistics for national accounts, trade, household consumption, labor force, employment/unemployment and wages; computer training; sampling techniques; and communications facilities. The FIS sought support for training in international standards, national accounts, internal and foreign trade statistics, and household budget surveys.

3.25 The RSIS requested support for national accounts based on the 1993 SNA, a population census, development of business registers, surveys on household consumption and labor force, the introduction of EC industrial products classification and sample surveys of industry, foreign trade statistics based on EU standards, environmental statistics, migration statistics, a new office for the RSIS, and staff training. But there was no coordinated strategy or plan agreed at the country level, nor did the individual statistical offices indicate how those statistics were to be developed, especially with respect to the balance needed between training and source data collection.

3.26 Donors also had not developed any overall strategy and plans for assisting with BiH statistics but rather indicated what they each were planning to contribute. The EC had sought funds for a DM 5 million national PHARE program for BiH (content not specified), and it was also funding a foreign coordinator in the BHAS appointed by the State COM. The United Nations Development Program (UNDP) proposed a Japanese-funded project probably focusing on the national accounts, social and demographic statistics, and labor force and household surveys. The World Bank envisaged assistance in external debt statistics, national accounts, institution building, and a labor force survey; it also envisaged possible assistance in information technology, household budget surveys, and, if needed, environmental statistics. Bilateral donors, notably Italy, Sweden, Switzerland, and Turkey, indicated similarly wide-ranging assistance.

3.27 The IMF indicated its objective of building the capacity of institutions to compile macroeconomic statistics in the area of GFS and BOP statistics; further improving monetary statistics; and disseminating the data internationally via IMF publications. Missions would also involve developing a framework for
consolidating data for all governments, which would occur after a State agency has been identified to coordinate this work. Finally, the IMF advised that it would provide a resident statistical advisor to advise on institutional issues and the four main areas of macroeconomic statistics.

3.28 Donors also urged the need for a three-year work program for priority tasks for the BHAS and the entity institutes and the need for the substantial strengthening of cooperation and working relationships between the State and entity statistical offices.

3.29 The OHR suggested there was no further need for coordination meetings of donors because the process was moving to implementation. However, an additional limited donor meeting occurred in 1999 to provide a more specific plan for three household surveys: The Living Standards Measurement Survey (LSMS) to be funded by the World Bank, the UNDP, and the Department for International Development (DFID); the Household Budget Survey (HBS) to be funded by Italy; and the Labor Force Survey (LFS) to be funded by the World Bank and UNDP.

3.30 As the basis for the IMF’s planned TA, the IMF had assessed the TA needs in detail for macroeconomic statistics by sending a multisector statistics mission in January 1998. The mission reviewed the key macroeconomic statistical systems to assess their suitability for economic analysis and policy formulation, commenced work on developing unified systems for compiling macroeconomic statistics, and identified TA needs. Initial detailed recommendations and action plans were provided to the CBBH and the statistical offices.

3.31 In summary, during this period, donors attempted to provide effective assistance, but there was no single strategy or agreed set of plans for improvement. Basically, coordination was left to bilateral communications between the BHAS, entity statistical offices, the EC coordinator in the BHAS, and other donors. No further donor coordination meetings were foreseen as necessary. In this process, the seeds were sown of subsequent problems.

**Implementation and outcomes**

3.32 A major focus of donors, especially the EC and IMF, during this period was the creation of a State agency to coordinate the development of country-level statistics, negotiate with donors, foster cooperation among entity statistical offices, and undertake BiH’s international responsibilities in statistics. This was achieved when the COM decided in August 1998 to establish the BHAS. It had no authority to collect statistics directly nor any authority over entity statistical offices. Its management was to be undertaken by a management board of three members, one from each ethnic group. All three members had to agree before the board could take any action. Six staff, in addition to the board, were provided to the BHAS, which had no legislative powers. The COM agreed that an EC-funded semiresident coordinator would participate in managing the management board for the first year. The BHAS began work operations in 1998. It published a very limited range of country-level statistics commencing in 1999. The EC and the Swiss Federal Statistical Office quickly funded some initial rented offices and later fitted out BHAS’s government offices and provided some computers and other equipment.

3.33 With this institutional obstacle to funding of technical programs by most donors overcome, it was expected that the general commitments made at the November 1998 donor meeting would be firmed up in consultation with the BHAS and entity statistical offices and then would be implemented. The actual donor TA and statistical outputs during this period were very limited, however, especially in real sector statistics. The EC funded attendance of statisticians to some technical meetings of Eurostat and some study visits to EU countries. Several EC-funded assessments were done on social, regional, and education statistics. ISTAT provided some coordination among donors. The EC was developing its substantial PHARE program, but the program was implemented only from September 2000 onward. However, the EC continued to fund a semiresident coordinator in the BHAS to liaise between the EC and BiH statistical offices. UNDP/World Bank/DFID/ISTAT plans for household surveys remained to be finalized. The World Bank project was not undertaken in this period. Sweden provided some short-term consultancies and missions, including some on national accounts and, like the EC, provided training in English and IT, which assisted some statisticians acquiring some knowledge in these fields.

3.34 Support proposed by various donors for a 2001 population census was not pursued. The reason was that the OHR advised in 1999 that it would be inappropriate to conduct a census until Annex VII of the Dayton Agreement (which deals with return of
displaced people) was implemented, which could take a number of years. Thus, a serious gap in BiH statistics remained; the last census was in 1991.

3.35 Regarding the IMF’s plans, further work continued to improve monetary statistics and respond to changing circumstances in the banking sector, with assistance from annual missions and the statistical advisor from May 1999. Details of the work undertaken are given in Chapter 4 (Slack).

3.36 The IMF provided an expert mission in 1999 to work with newly appointed CBBH statistical staff and the IMF statistical advisor to develop annual BOP statistics. The statistics were first produced in 1999 starting from 1998 and were based on the fifth edition of the *IMF Balance of Payments Manual (BPM5)*. BOP statistics became the second field of macroeconomic statistics based on international standards to be produced and disseminated. This work involved assessing and determining the best available data sources and estimation methods and training staff in BOP compilation both on the job and at seminars. The CBBH began publication of BOP statistics in its 1999 quarterly bulletins.

3.37 Concerning GFS, no State agency had been found during this period to coordinate this work. Thus, the role of implementing functional classifications was undertaken as part of a U.S. Treasury project to assist the entities and the State to develop modern treasury functions. The project commenced in this period but was not completed until 2002 for entities and the State and continues at subentity level with assistance from the United States Agency for International Development (USAID).

3.38 IMF efforts to develop annual country-level national accounts estimates based on international standards commenced in 1999 with entity and State statistical offices. Each office had allocated staff for national accounts work—though only one each in the RSIS and BHAS—and some training was provided for these staff on the job by the IMF statistical advisor and at the IMF’s Joint Vienna Institute (JVI).

3.39 In summary, during 1998 and 1999 the main accomplishments of donor support were the initiation of the BHAS; the participation of some statisticians in expert meetings and some study visits; the first compilation of BOP statistics; further improvement of monetary statistics; and the commencement of development of country-level national accounts (though with continued poor source data). Donors did not plan, nor did the authorities fund, the collection of the new and better economic source data essential for improving real sector statistics. No overall agreed country strategy or plans emerged during this period.

2000–03—Training, Coordination and Planning Attempts, Limited Collections, a Statistical Law, and Further Donor Meetings

**Strategies and plans**

3.40 Donor and country plans for improvement in this period focused largely on extensive training for statisticians in many fields and study visits to other countries; attempts at better coordination among the statistical office; the development of a work program; efforts to produce more and better statistics at the country level by initiating some new data collections and drafting a State statistics law; and holding a couple of further donor meetings later in the period. In addition, the authorities committed to improving macroeconomic statistics in the context of a reform program supported by the IMF.

3.41 Programs that had been discussed in general terms at the November 1998 donors’ meeting were developed in more detail in the early years of this period, and implementation commenced. The EC’s PHARE program was the largest and from 2000 to 2002 was designed to train statistical staff, both in-country and abroad. It also provided numerous consultancies in various fields of statistics, especially national accounts, prices, and foreign trade. The program was also intended to support frequent meetings of entity and State statistical staff. Three semiresident coordinators were provided for, one in each of the statistical offices, to monitor and coordinate the PHARE program. Also, in this period Eurostat planned to develop a draft State statistics law and seek its acceptance.

3.42 Early in this period, various donors planned a major set of household surveys, reflecting in part statistical offices’ requests for support for household budget and labor force surveys. Also, an LSMS was added as a donor requirement. These three surveys were planned to be undertaken consecutively because of limited country capacities for such large surveys. Donors planned a master sample to select specific samples for each of the surveys. Italy committed funding of an HBS, designed to provide household con-
sumption data for use in compiling expenditure-based GDP and new weights for CPIs.

3.43 The World Bank/UNDP/DFID proposed funding for the LSMS, and the UNDP/World Bank proposed funding an LFS. All three donors, together with the EC and the Swedish International Development Agency (SIDA), funded the development and implementation of the master sample. Donors and statistical offices differed in their views about the desired order of priority of the three surveys. Those donors and statistical offices especially concerned to improve macroeconomic statistics preferred that the HBS be first, while others preferred that the LSMS be first because the microdata were to be used to assist in developing poverty statistics.

3.44 Sweden planned consultancies and training. The World Bank provided a grant for developing a master plan for statistics, for some of the work on sample implementation, for a long-term expert for national accounts, and for some English training. Turkey planned study visits and consultancies on price and industry statistics. The DFID, one of the donors for the LSMS, also planned to fund extensive annual follow-on longitudinal surveys (“panel surveys”).

3.45 The IMF’s multisector statistical advisor was to continue supporting the development of statistical legislation, capacity building in all fields of macroeconomic statistics, on-the-job training of statisticians, dissemination of macroeconomic statistics in IMF publications, and coordination with other donors in macroeconomic statistics. The IMF’s plans for improving macroeconomic statistics were continuously reviewed and updated throughout this period.

3.46 The BHAS hosted two donor meetings, in 2001 and in June 2002. The main objectives were to urge donors to speed up action on implementing the HBS and LFS and to provide funding for the HBS sample (not part of the ISTAT project), which appeared to be available and not needed for the LFS. The EC delegation expressed concern at the lack of progress in developing new and better statistics, especially at the country level, and indicated that its future funding would support that objective. BiH statistical offices sought further funding for high-priority projects, but none was offered.

3.47 An EC Community Assistance for Reconstruction, Development and Stabilization (CARDS) regional program for BiH was planned to begin in 2002. It later changed to 2003 and covered pilot projects for foreign trade statistics, small- and medium-size business statistics, and the BiH’s participation in the European Comparison Project.

3.48 On May 31, 2002, in a Memorandum of Economic and Financial Policies for BiH prepared in the context of a Stand-By Arrangement supported by the IMF, State and entity authorities committed to improving a wide range of statistics. These included the following: by end-2002, GFS, an HBS, foreign trade commodity data, and quarterly BOP statistics; and by September 2004, production of national accounts on an expenditure basis, real GDP, nonobserved economy (NOE) estimates, a revised CPI and an industrial production index based on updated weights, improved foreign investment data, and the initiation of a population census. On December 4, 2002, in a Supplementary Memorandum, the authorities committed to an HBS and to strengthening business registries, implementing the State statistics law, and continuing work on new national accounts, the CPI, and foreign trade statistics.

3.49 The first successful efforts of the statistical offices to agree to a program of high-priority, new, and improved statistics, mainly macroeconomic statistics, began in mid-2002, with the support of the IMF and EC. The heads of all the statistical offices developed and endorsed a proposed three-year work program of their highest priority projects in June 2002 and later developed a one-year detailed program based on the three-year plan. The EC presented the program to a high-level meeting of heads of relevant international organizations and bilateral donors, which endorsed the program.

3.50 The one-year plan focused mainly on establishing working groups to harmonize existing statistics between the entities and the HBS; to begin work on a population census; to develop strategies for future development of new systems of economic censuses, surveys, and price statistics; to conduct feasible “light” economic censuses in selected industries (mining and energy); and to plan the censuses of other industries.

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In the absence of any credible economic source data for real sector statistics, these proposed economic censuses were seen as an essential step in obtaining benchmark data for national accounts and other economic indicators and as a basis for establishing regular business surveys.

**Implementation and outcomes**

**Statistics law**

3.51 Early in the period, Eurostat proposed a draft State statistics law, which was reviewed by other donors and the statistical offices. It would have provided a legal basis for the BHAS but with very limited powers, for example, no power to directly collect data and no power to coordinate entity statistical offices. Also, it proposed a statistical council largely confined to statistical officials. The COM eventually endorsed the draft law in July 2001. Later, one house of the Parliament endorsed it. However, for about a year, it awaited approval of the second house of Parliament, after being rejected several times.

3.52 With OHR backing, IMF and CBBH support, and the agreement of other international organizations, a new and much more modern statistics law was drafted based on sound international practices and UN principles. Noting the failure of Parliament to enact a law and the importance of progress in statistics to support economic reform, the OHR, with the support of the governor of the CBBH, imposed the statistics law in October 2002. It became effective in November 2002. As part of its decision imposing the law, the OHR instructed that the entities and the State must enter into negotiations within a year, with a view toward combining entity and State statistical offices into a single statistical service under State control.

3.53 The new statistics law provided for new positions of director and deputy director of the BHAS, with the director having full decision-making powers (i.e., not shared among three as with the former management board). It created a statistical council including outside users (the governor of the CBBH, the State minister of finance and treasury, and three others from the fields of economics, business, or statistics). The council advises the COM on work programs and resources, coordination, and other issues. A rolling four-year work program is specified, and an annual report is published. The BHAS is given powers to collect data directly if necessary. The small Brčko Bureau of Statistics became a branch of the BHAS. Substantial penalties are provided for breaches in confidentiality, nonresponse, and false response. The OHR’s decision required the entities to harmonize their laws with the new State law.

3.54 Implementation of the law was slow. Not until June 2003 were the director and deputy director positions advertised. Nevertheless, with OHR direction and support of the CBBH and IMF, work was undertaken with the entity statistical offices to harmonize their laws with the new State law. Both entities by the end of 2003 had enacted new laws: the RS law was more closely harmonized with the State law than was the Federation law. Although there was still no statistical council or a new four-year work program by the end of 2003 (these awaited the appointment of a new director of the BHAS), the provision of a modern law on statistics was an essential achievement for BiH statistics.

**Coordination**

3.55 The donor objective of building the capacity of the BHAS to lead effectively the development of a sound statistical system had limited success during this period. BHAS resources remained at only 9 staff for most of this period, increased to 12 only in 2002, but fell to 10 in 2003. The complex management arrangements established for the BHAS created continuing difficulties for decision making and achieving progress. The entity statistical offices retained their largely independent operations, and coordination remained limited. Very limited country-level statistics were produced regularly by the BHAS. One sound achievement for the BHAS in macroeconomic statistics was, with IMF assistance, the release of the first country-level national accounts bulletin in 2000.

3.56 From mid-2002, with IMF and EC assistance, the BHAS coordinated a series of lengthy meetings with entity statistical offices with the objective of developing a three-year program of high-priority macroeconomic statistics and a more detailed program for the first of the three years. All heads of statistical offices endorsed this program, the first such initiative in BiH. A primary objective of the one-year program was the EC’s request that it be prepared as the basis for support of an EC PHARE project that the EC eventually decided not to fund. Nevertheless, the development of these agreed work programs reflected an important step in the creation of country priorities for statistics. It was also the country’s first attempt at a
medium-term strategy for real sector statistics; unfortunately, the attempt lapsed because of inadequate donor support.

**Household surveys**

3.57 Provision of a master sample for the three planned household surveys was undertaken with advice from Swedish and EC experts and funding from the World Bank, UNDP, and DFID. The cost was significant (an estimated 860,000 euros of donor funding alone) and was completed in 2001. As indicated earlier, the issue of which of the three surveys should be first conducted was debated among the IC and statistical offices. Those (including the IMF and the statistical offices) who urged much-needed improvements in macroeconomic statistics favored the HBS. But others preferred the LSMS with its emphasis on microdata. The LSMS was chosen as the first survey, although it was not in the priority work programs of statistical offices. Official results were not published until August 2003.

3.58 Several aspects of the LSMS’s operation warrant comment. First, the survey was largely undertaken by donors working directly with entity statistical offices, with very little BHAS involvement. This led, in effect, to two separate and inconsistent surveys, rather than to a coordinated single survey. Second, after the survey there was significant criticism from some donors and statistical offices that the sample was not representative and, in particular, that rural households were underrepresented. It is difficult to know the extent of this problem without some basis of comparison (e.g., with a population census). While the LSMS provided a large database of microdata for BiH households, the quality of the results remains in question.

3.59 The follow-up “panel” surveys, which are longitudinal surveys using a subsample of LSMS sample households, were conducted in three waves from 2001 to 2003, funded wholly by the DFID. Although funded to undertake specific operational tasks of the survey, the statistical offices had no decision-making authority for the surveys. They did not consider these costly surveys a high priority, as they generally were not included in their work programs.

3.60 Since the HBS was planned to follow on quickly from the LSMS, it could have commenced early in 2002. This high-priority project was the first project that donors had funded for macroeconomic source data since 1996. Statistical offices supported early implementation and made use of ISTAT’s expertise in conducting household surveys. However, commencement was delayed until mid-2003. After the HBS was delayed, the LFS—the last of the trilogy of household surveys, which was expected to be at least in the planning stages by this point—was itself deferred.

**IMF TA**

3.61 IMF TA led to a number of demonstrable outcomes. First, the new State statistics law was established. The IMF worked with the OHR on implementing aspects of the law, including the terms of reference for the new positions of director and deputy director of the BHAS and the harmonizing of the entity statistics laws with the new State law.

3.62 Second, regular short-term IMF missions in monetary statistics, combined with day-to-day assistance from the statistical advisor and training of staff at the JVI, dealt with numerous changes in the banking environment and improved the quality and scope of monetary statistics. The quality, including timeliness, of BiH monetary statistics improved greatly. A time series of monetary data was disseminated on the CBBH website in June 2003, together with the first BiH advance release calendar for official statistics. After May 2003, monthly monetary data were disseminated immediately on the website rather than being held up for publication in the next quarterly bulletin. With IMF assistance, the statistical organization of the CBBH was rationalized and made more efficient for producing monetary statistics.

3.63 Third, quarterly BOP statistics were introduced starting 2001, with IMF mission and statistical advisor assistance, and were generally disseminated within one quarter. Extensive improvements were made to the quarterly and annual BOP estimates, and more metadata were provided. In particular, detailed and large adjustments for coverage, valuation, and timing were made in 2002 for merchandise trade, back to 1998. These adjustments related to undervaluation of a large proportion of imports and considerable smuggling of imports (and to a smaller extent exports). Adjustments were also made to exclude from customs data imports by international organizations, embassies, and other foreign government offices in BiH. With improving customs and tax administration and introduction of a State border service, appropriate trends in those adjustments were built into the estimation methodology.

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However, the underlying customs data on exports and imports, despite the strengthened customs administration and the Automated System for Customs Data Administration (ASYCUDA) computer systems, remained of doubtful quality and needed substantial improvement. Financing arrangements for the significant unrecorded trade in goods also needed to be estimated in parallel with adjustments to trade in goods. A new estimation methodology for workers’ remittances resulted in substantially increased amounts, more in line with other countries in the region. A time series of BOP estimates was disseminated on the website, data and metadata were provided for the IMF Balance of Payments Statistics Yearbook (BOPSY), more detailed metadata were published locally, and an advance release calendar was introduced.

3.64 Fourth, the previous IMF statistical advisor worked extensively with statistical offices to introduce the first country-level national accounts publication, with metadata, in October 2000. National accounts became the third field of macroeconomic statistics based on internationally accepted methodologies to be developed with IMF assistance. However, the main source data for the national accounts remained poor. Also, no estimates were included in the official statistics for the assumed large NOE. The general source data problem could have been substantially overcome only if donors had supported economic censuses of the main industries. The failure to include NOE estimates was due in part to poor and limited source data, but mainly to a reluctance of statistical offices to make such adjustments. With no significant improvements in source data for the national accounts, the GDP estimates throughout the period lacked credibility both in levels and in changes. The number of staff compiling the national accounts and their capability (aided by training from IMF and other donors) improved during the period.

3.65 Fifth, with improved macroeconomic statistics the IMF was able to introduce a country page for BiH in the monthly IFS starting July 2001. Though limited in range of data, the page provided users worldwide with better access to BiH statistics that were based as far as possible on consistent international methodology.

3.66 Sixth, as noted above, the IMF assisted in reorganizing the CBBH’s statistical capabilities with the creation of a new statistics division, with a section each for monetary statistics, BOP, GFS, and real sector statistics. This resulted in new leadership, increased staff numbers, and an organization more focused on improving the macroeconomic statistics for which the CBBH is responsible. New three-year work plans with clear objectives and planned outcomes have been introduced, and staff have received deeper and broader training. These factors, together with senior management support for statistics, provide a good basis for sound continuing progress in statistics.

3.67 Seventh, the foundation has been created for initiating the development of GFS, including government debt statistics for BiH based on international standards. The foundation includes establishing a section in the CBBH for this work, preparing detailed work plans, and training staff. The task of developing these statistics has begun, with support of short-term IMF missions. TA from the United States in establishing modern treasuries and computer systems for the State and entities led to the introduction of new charts of accounts and classifications based on the IMF’s 1986 Government Finance Statistics Manual (GFSM) in 2001. This will now serve as a good basis for the actual production of GFS statistics, with the CBBH having assumed responsibility for that role.

3.68 Eighth, the three statistical offices introduced websites during 2002, ensuring better access to their statistics. The CBBH had already introduced a website in 1998.

Other TA

3.69 The EC’s extensive PHARE program commenced in late 2000. Originally planned to cover 18 months, it was extended to over two years. Its aim was to “support the development of a sustainable statistical system” and to “support the entity statistical institutes to be in a position to provide . . . BHAS . . . data for the production of reliable, up-to-date, relevant . . . statistics.” The program provided training courses for statistical staff and many study visits abroad. The PHARE program also provided three semiresident foreign coordinators—one in each statistical office—to coordinate and monitor the training activities and outcomes and to assist the BHAS to develop its capacity. It also financed travel costs to facilitate meetings of entity and State statisticians, and financed computers, software, and other office equip-
ment for the entity and State statistical offices. The extensive training provided by the PHARE program at times contributed to the shortage of staff available to work on producing new and improved statistics, posing a difficult trade-off for managers.

3.70 In mid-2001, the World Bank consultant prepared a master plan for the future development of BiH statistics; however, this was not pursued. SIDA and Turkey provided some training courses, consultancies, and study visits.

3.71 After mid-2001, the World Bank national accounts expert worked intensively with the statistical offices for a year and recommended changes, such as including NOE estimates in GDP and estimating constant price GDP by using available volume measures; however, these were not implemented. The expert emphasized that only limited progress was possible until better source data were collected.

3.72 The CARDS regional program had, by late 2003, mainly involved meetings abroad for BiH statisticians planning the extensive work needed for participating in the European Comparison Project over the coming years. The project will require BiH to collect extensive price data over a period. But because BiH lacks expenditure-based GDP, it is difficult to envision results from this project except in the longer term. Expenditure-based GDP would be essential if volume comparisons of GDP (expenditure approach) were to be made based on purchasing power parities.

3.73 In summary, donors intended the period 2000–2003 to show major improvement in economic and other statistics, including a population census, together with the building of a sound State statistical office. Indeed some major successes did occur, such as the provision of a State statistics law, substantial training, well-equipped offices, and improved monetary and BOP statistics. There was little improvement in real sector statistics throughout the period.

2004 Onward—Implementation of Law, Priority Surveys, Declining Technical Assistance, and Possible Organizational Change

Strategies, plans, and implementation

3.74 A top priority for the future is the full implementation of the State statistics law. A statistical council needs to be created and a medium-term work program developed. Entity statistics laws, broadly harmonized with the State law, should provide important support for consistency of statistics.

3.75 The main HBS, which began in January 2004, should lead to improved real sector statistics, providing data on household consumption expenditure for use in preparing expenditure-based GDP, serving as a check on official production-based GDP estimates, and providing a basis for up-to-date weights for entity and country-level CPIs.

3.76 A third in the series of donor-financed household surveys, the LFS, would provide urgently needed data on employment/unemployment and other labor market indicators.

3.77 The CBBH, with the support of IMF TA, will progressively develop government external debt and other government finance statistics, which, apart from providing essential fiscal data, will also yield significant input to the measurement of GDP on an expenditure basis. Also, the CBBH will complete the initial exploratory survey of foreign investment, followed by regular quarterly surveys, for BOP purposes.

3.78 IMF missions will work with entity and State statistical offices to develop for the first time a State CPI using the latest international methodology and existing weights. They will also develop new entity CPIs based on the same updated methodology and existing weights and price collections.

Setting 2004, Conclusions, and Lessons Learned

3.79 In this final section, some lessons learned and conclusions from the postwar period of TA in statistics for BiH are discussed, but first a summary is given of the setting in 2004.

The Setting 2004

Economic and political

3.80 Eight years after the war’s conclusion, BiH’s overall political economic setting is much improved. Governments have been elected for the first time by democratic processes, peace has been maintained (although some ethnic tensions remain), SFOR strength has been reduced progressively to about 12,000, and
some 940,000 people have returned to their prewar locations. Supporting this process, international donors have spent US$5–6 billion in various forms of civil assistance to BiH. The rate of economic growth has been respectable, and inflation has fallen to typical Western European levels. Fiscal stabilization has occurred, with the help of the central bank’s strict implementation of the currency board arrangement. The establishment of a stable banking system has raised confidence. Foreign investment has begun to grow substantially, albeit from a small base. Nevertheless, GDP per capita stands at the lowest level for any European country. Unemployment remains very high. Many challenges remain for BiH to recover and emerge fully from the postconflict arena.

3.81 In the statistical arena, significant changes have occurred during the last eight years in statistical infrastructure and organization. The BHAS was created in 1998 to coordinate development of country-level statistics and negotiate with foreign donors. The State statistics law was enacted in October 2002 and is slowly being implemented, with an initial focus on harmonizing entity laws with the State law. Concerning resources and capabilities, much-improved office facilities, including computer equipment and software, are now in place; statisticians have received much training in international statistical methodologies; staff resources have increased over 90 percent since 1996; budgets are close to typical EU countries in terms of statistical expenditure as a proportion of GDP (although official GDP estimates for BiH are thought to be significantly understated); but staff numbers are well below typical EU levels on a population basis. Cooperation and coordination between State and entity statistical offices have improved, with frequent meetings of heads of statistical offices and working groups established to improve statistics. In particular, for the first time, the statistical offices agreed on a three-year work program of high-priority statistics as the basis for seeking donor funding.

3.82 In terms of specific fields of statistics, notable improvements are seen in the range of macroeconomic data over the period and in dissemination practices. Monetary statistics were the first to be developed and are now at a high standard. BOP statistics were introduced from 1998 and are being progressively improved in quality and detail. GDP estimates on a 1993 SNA basis became available in 2000. Proxies for CPIs are available at the entity level (with CBBH estimates at the country level). A start has been made on developing GFS including government debt data, based on international standards.

3.83 Nevertheless significant shortcomings remain to be addressed. No credible GDP estimates yet exist, largely owing to inadequate source data. No country-level price indices are produced. CPIs at the entity level are not based on consistent international methodology, and the weights are seriously outdated. PPIs exist for only one entity. Foreign trade statistics do not include estimates for smuggling and undervaluation and suffer from a lack of transparency with respect to their differences with customs data. GFS—consolidated and based on international standards—are not yet available. BOP statistics, though very much improved, suffer from significant inadequacies in source data, especially inadequate customs data and the lack of regular surveys of foreign direct investment, services, foreign aid, and other items. An International Investment Position (IIP) is not yet available. Credible labor market data are unavailable. There has not been a census of population and households since 1991, before the massive effects of the war. There are no comprehensive external debt data—the gaps relate to sub-State and nongovernment nonbank debt.

Lessons Learned

3.84 The postwar history of statistical progress reflects in many ways the wider political, entity/State, and ethnic climate in BiH as well as the highly decentralized structure of government. The key lessons that can be identified for transition and postconflict countries like BiH are the following:

• **Effective leadership is important for progress in statistics.** Such leadership in the CBBH was critical in the progress of macroeconomic statistics. On the other hand, for real sector statistics, the poorly resourced State statistical office, with a complex management structure, is a major reason for the lack of much progress since 1996.

• **Adequate legislative basis for compiling statistics is needed.** Again, where the CBBH has had such legislative backing, until very recently the State statistical office has not, severely limiting its ability to coordinate country-level statistical development.

• **Appropriate organization of statistics for the country is essential.** Reflecting the general decentralization of government powers in BiH, real sec-
tor statistics are mainly compiled by the entities and the Brcko District. The State is largely left to the role of seeking to coordinate the development of country-level data, rather than primary data collection. It is therefore highly dependent on cooperation from the entity statistical offices. A combined statistical service that meets the needs of both entity and State governments would achieve substantial economies of scale. Also, by eliminating the time-consuming and frustrating tasks of seeking coordination and consistency among disparate administrations, it would yield an organization much more conducive to progress in statistics.

- **Governments must set overall strategies for statistical capacity building**, with clear and prioritized work programs. Once this is accomplished, preferably on the advice of a statistical council, countries can seek donor support for the priorities. This is one of the most important lessons from post-war TA in BiH. Reflecting in part the structure of its governments, the BiH did not develop a coherent strategy for statistics and generally accepted all offers of TA in statistics.

- **Donors should coordinate their TA strategies.** If a country finds it difficult to create a set of statistical priorities, donors should coordinate their programs among themselves, avoiding duplication and balancing aid appropriately among types of statistics (e.g., economic and sociodemographic statistics). Apart from the household surveys, coordination efforts in BiH were largely ineffective.

- **An appropriate balance should be struck among the various focuses of TA** (i.e., TA focused on direct production of statistics and collection of reliable source data, or on staff training or on improving statistical infrastructure such as office premises and equipment). This balance would be determined by the appropriate phasing of TA inputs. For example, regarding BiH real sector statistics, the phasing was frustrating for the staff because they were amply trained in the technical aspects of producing statistics, but they had little source data with which to apply this training actually to produce the statistics.

- **A pragmatic and flexible approach to institutional responsibility for different sectors of statistics may lead to faster progress.** For example, reflecting its relatively better resource situation and strong interest in economic statistics, the central bank (at least in the early years of statistical development) may improve macroeconomic statistics more rapidly if it takes formal responsibility for compiling them.

- **The selection of high-quality experts is critical.** The selection of consultants who have had little or no experience in compiling official statistics will likely lead to limited results.

- **Governments should provide adequate statistical staff to absorb TA**, since donors generally do not fund salaries for statistical staff. This has been a constraint for the BHAS and RSIS in particular.

- **IMF lessons are critical.** The main lessons from the IMF’s contribution to TA in BiH have been the following: (i) the flexibility of IMF TA was highly important in being able to move quickly (as with the development of monetary statistics in 1996) to assist in creating new fields of statistics and building long-term capability; (ii) a supportive host institution (e.g., the CBBH) is essential if timely action is to occur and the capability is to be sustained; (iii) the IMF’s approach of focusing on concrete activities that directly lead to development and dissemination of new and better statistics led to positive results for users; (iv) the IMF’s interest in building local in-depth capability in all fields of macroeconomic statistics contributed to cross-sectoral consistency; and (v) a long-term resident multisector statistical advisor can be especially useful where there are many serious gaps in statistics, a lack of suitable infrastructure, and many institutional issues that need day-to-day attention.

- **Estimates should be made for omitted or poorly covered activities.** When country statisticians make estimates, it is important to accompany the estimates with a clearly stated revisions policy for official statistics, so that the estimates can be revised credibly when more and higher-quality statistics become available. In many countries, especially in transition countries, these reforms require changes in culture to be able to correct or revise statistics without creating suspicion of wrongdoing. In the case of BiH, this has been a significant factor for national accounts statistics, which suffer from the failure to include estimates of what is generally regarded as a large NOE. This failure to include the NOE also encourages international and other organizations to produce their own estimates (in the case of GDP, these range up to several times the official figures), thus creating confusion for policymakers, potential foreign investors, and others.

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3.85 In conclusion, BiH statistical offices and donors are at a crossroads. One path leads to a continuing lack of real progress in real sector statistics and the danger that the statistical offices will become irrelevant for meeting the minimum statistical needs. The other path leads toward integration with Europe and the needed major progress in real sector statistics. This path would be based increasingly on local initiative, adequate budgets, enhanced government interest in using statistics for decision making, and continuing TA in priority fields targeted on new and better source data. It would improve national accounts, prices, and other statistics, preferably with a single statistical service serving State and entity governments and with a well-focused and prioritized work program. The CBBH, based on experience to date, will continue to play its part in ensuring sound progress in the fields of macroeconomic statistics for which it is responsible.