

DIW Berlin

Deutsches Institut
für Wirtschaftsforschung

www.diw.de

EU Fiscal Policy Support to Bosnia and Herzegovina

Fiscal Policy Formulation

Setting, infrastructure and organizational issues

Banja Luka, 8 May 2007

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DIW Berlin – Macro Analysis and Forecasting

Outline

- Introduction
- Fiscal policy formulation
- People involved
- Data issues
- Database and model interface (DMI)
- Discussion

DIW Berlin

Introduction

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Discussion

- DIW = German Institute for Economic Research
- Founded 1925 in Berlin as one of the first business cycle research institutes in Europe (research department of the national bureau of statistics)
- 1935/36: Registration as private society in Berlin and renamed as "Deutsches Institut für Wirtschaftsforschung" (DIW Berlin)
- Today's mission
 - Observation of (inter-) national economic developments
 - Applied and basic research in major fields of economics (7 departments)
 - Consulting of Governments, European Commission, companies, other organizations, and the public

Fiscal policy formulation: Overview

Introduction

**Fiscal policy
formulation**

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Discussion

- Analysis of current macroeconomic and fiscal situation (ex post picture)
- Making assumptions on exogenous factors
- Assessing relevant political measures
- Running model-based forecasts
- Deriving more detailed information for budgetary items (esp. fiscal revenues, budget indicators)
- Interpreting output and addressing major risks

iterative
process

⇒ **Budget scenarios
(telling a story, not just crisp numbers)**

Fiscal policy formulation: Rules and procedures

- Database preparation and maintenance
- Model development and maintenance
- Revenue forecasting tools design and maintenance

- Running forecasts (using the tools)
 - Frequency of forecast updates
 - Setting assumptions
 - Preparing the fiscal framework
 - Interpreting and post-processing of model output (model-based policy analysis)

Introduction

**Fiscal policy
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Bringing together ...

- Data producing units (DPU)
- Model and forecasting tool builders
- Policy analysts
- Maintenance and coordination board

- Political decision makers

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Working groups: Profiling

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- Educational background, languages
- Professional experience
- Contribution to
 - data collection
 - policy analysis
 - model and tool building
- Expectations from participation
 - assistance for daily work
 - need for capacity building (educational aspects)
- Software access
 - Database, EViews
 - Webserver (uploads)

Data issues

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- Various sources of data,
many data producing units (DPU)
 - Universal database design: desirable, but completely
unrealistic ...
 - ... instead: very basic, but reliable rules
 - Data exchange via DPU-webservers
 - Integrating different data sources via Database and
Model Interface (DMI)
- ⇒ **Virtualization of the database
(network of integrated resources)**

Basic database design rules

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- File format
 - Excel tables (first choice)
 - symbol-delimited text files (also acceptable)
 - Freedom to organize data in a way that is most suitable on the DPU-level, but this format should be kept over time
 - Avoiding mixed frequencies in rows or columns
 - Naming method for published files (versioning)
- ⇒ **Productive cooperation without centralization**

Technical review on data producing units

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- Agency for statistics of Bosnia and Herzegovina
<http://www.bhas.ba>
PDF only, hidden navigation, data warehouse
- Central Bank of Bosnia and Herzegovina
<http://cbbh.ba>
Excel, most of the files are machine-readable
- FBiH Federal Office of Statistics
<http://www.fzs.ba/>
Zipped PDF only
- Republica Srpska: Statistical Institute
<http://www.rzs.rs.ba>
PDF only
- Macroeconomic Unit of the Governing Board of the Indirect Tax Authority
<http://www.oma.uino.gov.ba>
Excel, machine-readable on principle
- BiH Ministry of Finance and Treasury
<http://www.trezorbih.gov.ba>
no data found
- FBiH Ministry of Finance
<http://www.fmf.gov.ba/>
no data found (under construction?)
- Others: Ministry of Labor, Social Security, Job centers ...?

Database and Model Interface (DMI)

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Discussion

- Integration of various data sources
- Supporting data integrity
 - detecting inconsistencies
 - checking for outliers
- Data retrieval and display
- Model interface, simulation wizards
- Report generator
- Keeping data and model up-to-date (versioning)
- Managing scenarios
- Multilingual user interface for specialist terminology

DMI: Data integration

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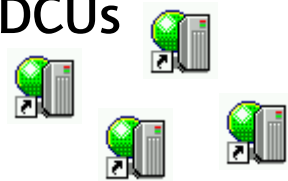
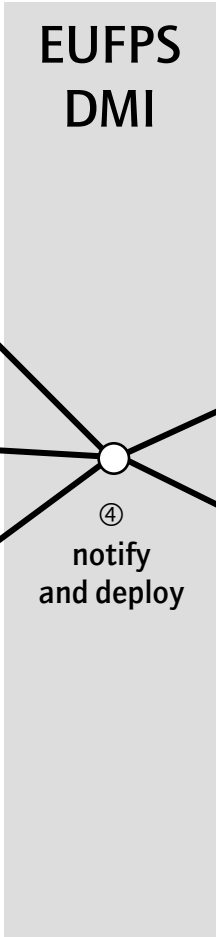
Political Decision Makers




Policy Analysts



DCUs

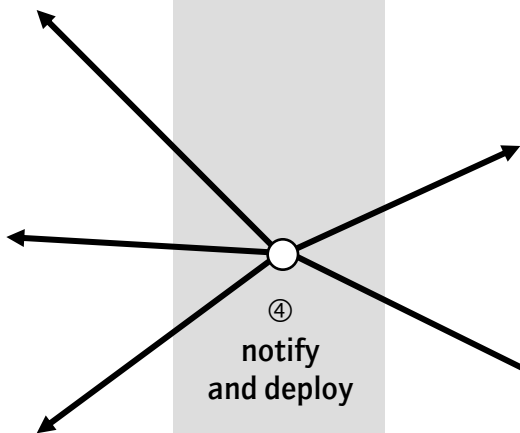
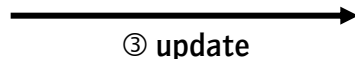
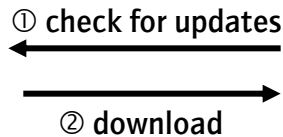
Model Builders




Model



Database



DMI: Model usage

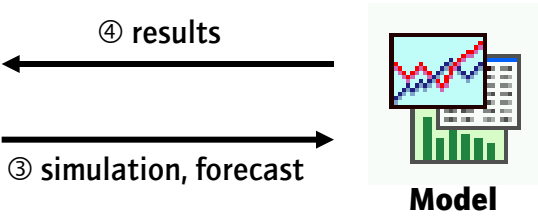
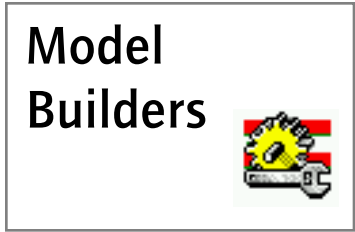
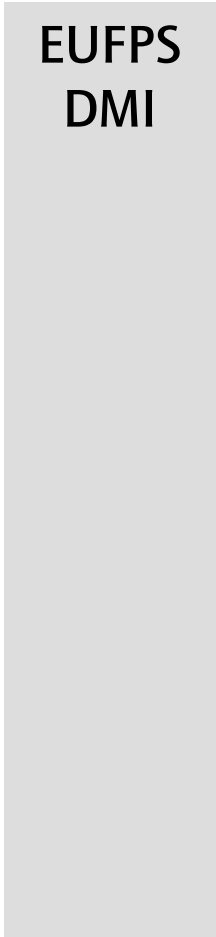
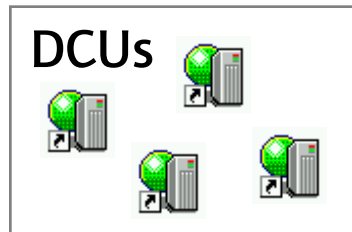
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↓ ① question ↑ ⑥ answer(s)



← ⑤ report
 → ② request



DMI: Model modifications

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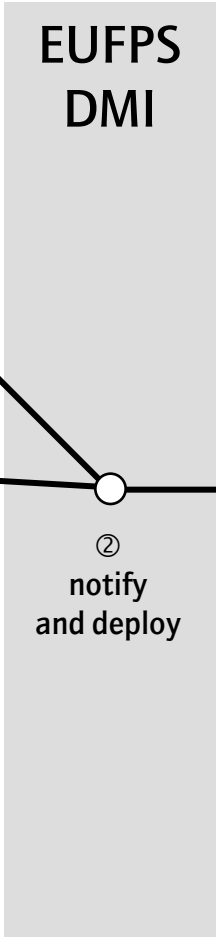
Political Decision Makers




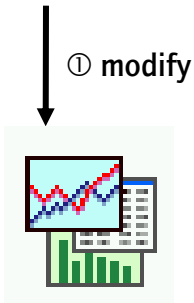
Policy Analysts



DCUs

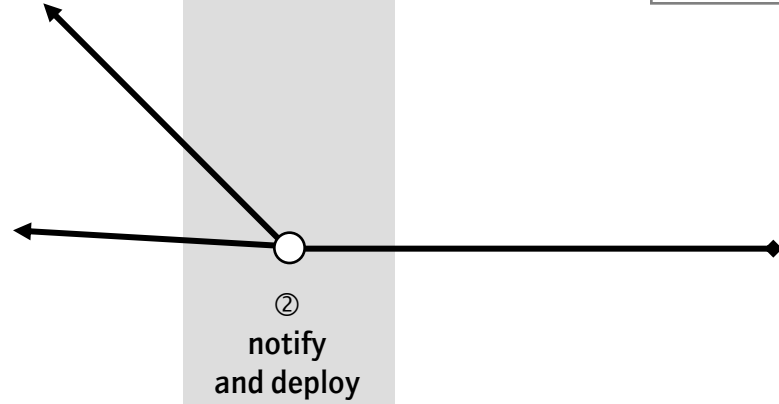
Model Builders

Model



Database



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- Questions
- Remarks
- Ideas
- ...