

TWINNING CONTRACT

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Support to the State and Entity Statistical Institutions, phase VI



MISSION REPORT

on

Activity 4.1

**Assessment on the current situation on ESSPROS.
Improvement of data collection.**

Mission carried out by

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List of Abbreviations

BHAS	Agency for Statistics of Bosnia and Herzegovina
BiH	Bosnia and Herzegovina
CBBH	Central Bank of Bosnia and Herzegovina
EC	European Commission
EU	European Union
FBiH	Federation of Bosnia and Herzegovina
FIS	Institute for Statistics of Federation of Bosnia and Herzegovina
MS	EU Member State
RSIS	Institute for Statistics of Republika Srpska
RTA	Resident Twinning Adviser
TOR	Terms of Reference

Executive Summary

The main aim of the mission was to assess the current situation on ESSPROS and to discuss how to improve the data collection.

During the first ESSPROS pilot project, the ESSPROS framework was applied to Bosnia and Herzegovina resulting in the development of questionnaires and a first data collection. According to the results of this first pilot project the data collection and implementation of the ESSPROS methodology will have to be improved in order to meet the requirements of Eurostat. This is the reason for starting this second project. The main objectives of this second project are to encourage a close cooperation with all relevant data providers, improve the accessibility of qualitative and quantitative data and to develop a regular survey.

The social protection structure in Bosnia and Herzegovina is similar to the administrative structure. The 3 main entities in Bosnia and Herzegovina are: Federation of BiH (FBiH), Republic of Srpska (RS) and Brcko District (BD). This administrative structure is complex, because of its decentralized structure consisting of a state-, entity-, canton and municipality level and the number of institutions. An example of this are the fourteen Ministries of Finance (1 at state-level, 3 at entity-level and 10 at canton level).

The statistical office of FBiH has more problems of collecting data on social protection than the statistical office of RS, because of its decentralized structure. Therefore during the first mission of the second pilot project the main focus was on the situation in FBiH. However, the discussions are helpful to RS and BD as well, since they face similar situations such as the problems regarding the quantitative and qualitative information. The statistical offices of FBiH and RS did not receive any data related to social assistance, respectively from the Ministry of Labour and Social Affairs (FBiH) and the Ministry of Health and Social Welfare (RS).

1. General comments

This mission report was prepared within the Twinning Project "Support to the State and Entity Statistical Institutions, phase VI". It was the first mission to be devoted to ESSPROS within Component 4.1 of the project.

The purposes of the mission were:

- - Assess the current situation on ESSPROS
- Discuss how to improve the data collection

The expected activities were:

- Assessment on the current situation, including presentation of the developing ESSPROS so far during the UNICEF project

- Overview over EU regulations and requirements in this area
- Presentation of the Denmark, Latvia and Netherlands experts for ESSPROS
- Analysis of different possible sources for data collection
- Identification and classification of social protection schemes
- Discussion on how to improve data collection and prepare for the pilot survey
- Review of questionnaire and instruction for filling the questionnaire
- Draft Activity plan for the pilot data collection
- Link with National Accounts

The consultants would like to express their thanks to all officials and individuals met for the kind support and valuable information which they received during the stay in Bosnia-Herzegovina and which highly facilitated the work of the consultants.

This views and observations stated in this report are those of the consultants and do not necessarily correspond to the views of EU, BHAS, FIS, RSIS or Statistics Denmark, Statistics Netherlands and the Central Statistical Bureau of Latvia .

2. Assessment and results

During the mission the following outputs have been achieved:

- Current status of ESSPROS assessed
- EU experiences presented
- Possibilities for data collection discussed
- Draft Activity plan agreed
- Draft questionnaires for pilot surveys adopted
- Links with National Accounts

Assessment of the current situation, including presentation of the development of ESSPROS so far during the UNICEF project

There are four statistical offices in Bosnia and Herzegovina: Agency for Statistics of BiH at state-level, Institute for Statistics of Federation of BiH and Institute for Statistics of Republika Srpska and Agency for Statistics of BiH- branch District Brcko at entity-level.

The national experts were informed on the complex situation in BiH with different degrees of decentralisation in the different entities. As the highest degree of decentralisation exists in FBiH and the difficulties in collecting data are considered most problematic here, it was decided to focus on the data collection in this entity.

The statistical offices in BiH and the national experts find the work developed so far on ESSPROS during the first pilot project useful as a starting point for the next pilot data collection and for the further development of the work with ESSPROS in BiH. The staff responsible for ESSPROS seems to be quite aware of what still needs to be done in order to collect data for ESSPROS and this project will assist them through giving an opportunity to discuss methodological questions and to learn from the experience in other countries, and also

through assisting them in the data collection by making the data providers give a higher priority to this data collection due to the international presence.

Already available for ESSPROS:

- Charts showing the political and administrative organisation important for social protection in BiH (state level), FBiH, RS and BD
- Report from the pilot survey
- Questionnaire and schemes from pilot survey
- Contacts in several relevant institutions
- Data from pilot survey
- Questions to institutions as a result of the pilot survey (validation report)
- Experience gained in the statistical offices
- Knowledge of the existence of several relevant laws on social protection

Main reporting units in FBiH (Sarajevo):

- Institute for Employment (Employment Fund)
- Federal Pension and Disability Insurance Institute (Pension Fund). 60 per cent of social protection expenditure for ESSPROS is gained from the Pension and Disability fund.
- Health Insurance Fund = Institution for Insurance and re-insurance
 - 10 cantons (own social protection laws and are not obliged to share data)
 - 79 municipalities
- Ministry of Labour and Social Affairs (federal level) – is responsible for social benefits distributed through the Centers for Social Work. FBiH has most problems with the social assistance on canton level and here it was most difficult to do the pilot survey. They did not fill in the survey for social assistance.

RS (Banjaluka)

During the meeting the colleague from RS mentioned that due to the centralized social protection system it is easier to collect the data on ESSPROS than FBiH, but they still need to improve the quality. Staff in reporting units in RS has been trained in ESSPROS.

- 62 municipalities;
- From the 1st pilot survey RSIS did not receive any data on social assistance.

BD

Brcko district can choose from which entity it can receive the pension benefit either from FBiH or RS.

Overview over EU regulations and requirements in this area

This has been highlighted during the presentation of Latvia about their experience with ESSPROS

In 2007 and 2008, three new pieces of legislation were introduced in the field of social protection statistics:

- European Parliament and Council Regulation No 458/2007;
- Commission Regulation No 1322/2007;
- Commission Regulation No 10/2008.

In 2011 two further pieces of legislation were introduced in the field of social protection statistics which focuses on the net social protection benefits:

Commission Regulation (EU) No 110/2011;

Commission Regulation (EU) No 263/2011.

Presentation of the Danish, Latvian and Dutch experts for ESSPROS

Presentations were provided by Latvia and The Netherlands. Denmark did not present because its cases are similar to the Netherlands.

Analysis of different possible sources for data collection

The problems concerning the collection of data (quantitative and qualitative) from the different institutions were considered. The possibilities of getting data from other institutions were considered (see below) and will be further explored in the future, but the coming pilot data collection will rely on the former reporting units.

The risk of double counting was explained and for illustration of this problem, as well as for presenting a way of analysing the flows of expenditures and receipts, a chart over the financing flows of one of the reporting institutions was elaborated.

One of the challenges is to encourage the different institutions to share data. The statistical offices mentioned two reasons for this: The sharing of data results in additional work for the offices which is a problem due to the limited capacity in terms of employees and financial resources. Another reason is data confidentiality. Based on this The Netherlands gave some examples on how this is organized in the Netherlands. When having meetings with reporting institutions it is important to have an intermediate person from the EU twinning project involved in those meetings. Another thing is that it involves top management cooperation of institutions of Bosnia and Herzegovina in order to establish collaboration between the different parties and it will probably require the signing of cooperation agreements between the different institutions.

Suggestions for other institutions to receive data from:

- Tax Authority
- Central Bank
- Ministry of Finance

- Research and agency of economic planning
- National Accounts
- Yearly reports from relevant institutions

Identification and classification of social protection schemes

BiH has the schemes on an aggregated level and not further specified to type of benefit, i.e. according to the characteristics of the beneficiaries.

BiH has made a subdivision of the schemes per entity and district. In one case, for the Health fund, they have made divisions for the FBiH at canton level. In the future this might be on entity level of the FBiH. After the pilot survey they have identified two new schemes: Municipality (3 schemes) and NGO (independent social assistance from non-government organizations), which incorporates mostly social exclusion functions. The statistical institutions prefer to keep the schemes as they are and quality information is needed to support the data they have received so far from the first pilot data collection.

Discussion on how to improve data collection and prepare for the pilot survey

The two major challenges for this second pilot project are data collection and understanding ESSPROS methodology. Some of the specific problems mentioned are listed below:

- Municipalities are supposed to pay out the benefit but they do not. An example of this is the child support benefit. This will become a problem if estimations of these data are necessary, and when comparing with real data. The resources are not available to pay out the required child support benefits which should be paid out according to the law.
- Data providers do not have the same definitions as ESSPROS. Translation of definitions from data provider to ESSPROS is a problem.
- Lack of training and computers due financial resources.
- Reporting units do not know what to do - how to fill in the questionnaires.

Suggestions to improve quality information (see also action points)

- Complete financial reports from the data providers
- Use of legislation of the social protection system in Bosnia to identify the type of benefits and extend the quality information of the schemes. These laws and administrative orders are publicly available on the internet, but it requires time to study in order to understand and interpret them. Both statistical offices are afraid that once they provide this kind of description to the data providers they will realize that they did not comply with the rules, such as not being able to pay all the benefits that are required, because the budget it is too small. -However, it could be stated that the listing of benefits according to the legislation is included as a help for completing the questionnaire.

Draft Activity plan for the pilot data collection (see action points)**Draft questionnaires for pilot surveys adopted**

The questionnaires used for the first pilot survey are very similar to the ones from Eurostat. There were suggestions on how to improve the questionnaires in order to make it easier for data providers to provide the correct data. The improved questionnaires will probably be used in the next pilot survey.

Links with National Accounts

It was suggested by the experts to use National Accounts data as a possible source for ESSPROS. Based on this suggestion experts had a meeting with the deputy director of BHAS Ms. Slavka Popovic and assistant director of National Accounts of BHAS Ms. Dijana Mlikota.

The Assistant director of National Accounts advised to use the bottom-up approach. She mentioned that there are 14 Ministries of Finance and mentioned that the system is very complex and decentralized. At this moment it is not possible for the coming years to use the National Accounts data for ESSPROS because it is too premature. At the moment only the production accounts are developed. She advised to continue to work with the recommendations of previous expert Mr. Flavio Bianconi, because she thought them to be of high quality. The changing country structure after the war is probably the reason why the National Accounts have to be compiled from scratch according to the definitions of ESA 2010. Originally compilation of the National Accounts started in 1993. According to the NACE entity, National Accounts will be classified according to the regions. The problem of National Accounts is that they do not have access to the data sources, because the institutions are situated on canton level and decentralized to the four Ministries of Finance. Each Ministry of Finance is independent at canton level and does not want to share the data.

However, the Assistant director of National Accounts is interested with a cooperation regarding ESSPROS and does acknowledge the benefits of it. A recommendation would be to involve NA again once the results from the pilot survey are obtained and the results are positive. Then it can be examined whether it is possible to use data from NA or provide ESSPROS data to NA to improve the quality of the survey and the data of NA.

The deputy director of BHAS believes that a solid approach has been established by Mr. Flavio Bianconi and this approach should be elaborated. The focus should stay on the questionnaire or pilot study instead of exploring the possibilities of other sources of administrative data. The motivation for this is that the situation of Croatia is similar to that of Bosnia. Croatia has successfully complied the data with the requirements from Eurostat and therefore recommends the same approach for data collection as Bosnia and Herzegovina. On the one hand, it would be advisable to keep other options open as well in order to be able to adjust the strategy when needed. For example sharing the same data and knowledge will

increase efficiency, quality, cooperation, same definitions, less questions from other institutions and will prevent that the same data is asked twice from the same data provider. Eurostat encourages to produce consistent accounts for which the link between National Accounts and ESSPROS is an example, which is performed already by several EU-countries. On the other hand, the experts agree to keep the main focus on the questionnaire and will build further on the work that has already been done.

3. Conclusions and recommendations

During the mission it was agreed:

- To continue the work done in the first pilot study
- To keep exploring the opportunities for cooperation with NA when possible
- To concentrate on the reporting units in FBiH
- That a letter signed by the project management has to be sent to the reporting units in FBiH, RS and BD in order to further their appreciation of the importance of the questionnaire and increase the response rate as well as the reception of qualitative data
- To improve the questionnaire (see action points).

Actions needed for moving forward as well as for preparing the next mission

Action	Deadline	Responsible person
Website Misoc	End January	BHAS
Provide an overview of the statistics that are produced by each institution of Bosnia and Herzegovina that might serve as a relevant data source for ESSPROS. Possible institutions are Ministries of Finance, National Accounts, Central Bank, Tax Authorities. Special attention should be given to the role of the Tax Authorities for the preparation of the Net Benefits module. The results should be presented during the next mission.	End February	FBiH, RS, BD
Are there funds available to organize the meetings with the data providers (Ask project leader about budget for the next two missions)	OK	Lene
Discuss alternative solutions with project management for meetings with data providers and decide on how these meetings can take place	End of January	BHAS and project management (and experts)

First draft of letter to responding units (see note)	30th of January	BHAS, Lene and Soren
Translation of letter into English and approval by project leader before signing the letter	2 nd of February	BHAS, FBiH, RS, BD
Approval of letter by the Management	2 nd of February	BHAS, FBiH, RS, BD
Draft two agendas (depending on the outcome of the discussion with the project management).	Mid February	Djemka/Soren BHAS, FBiH, RS, BD, Experts
Provide the complete pilot survey to experts	End January	BHAS, FBiH, BHAS, BD
Keep the previous years in the questionnaire to ensure/help data providers to fill in the correct figures	End February	BHAS, FBiH, RS, BD
Include explanation of the ESSPROS transactions (expenditures and receipts) in the excel sheet instead of in a separate document.	End February	BHAS, FBiH, RS, BD
Adjust/Simplify questionnaire for Ministry of Labour and Social Policy at canton level	End February	FBiH, BHAS
Consider whether 3 functions should be in one scheme or 3 separate schemes for the pension funds	End February	BHAS, FBiH, RS, BD, Experts
Calculations and graphs/figures on data from the pilot survey (by function and a further break-down of most important expenditures and receipts per reporting unit/institution)	End February	BHAS
Prepare questions to data providers	End February	BHAS, FBiH, RS, BD
Overview of the financial flows of reporting units of pension funds of FBiH between institutions to ensure compliance with ESSPROS framework	End February	FBiH
Prepare validation of data and how to assess quality of data. This often includes	2015	BHAS, FBiH, RS, BD

figures (for instance graphs per function, graph for each reporting unit further distinguished to type of income and expenditure).		
Evaluate the classification according to the type of expenditures and receipts. This should be done before the collection of the results from the second pilot survey	2015	BHAS, FBiH, RS, BD
Search websites to see what data on Bosnia Herzegovina is publicly available and what is useful/relevant for ESSPROS compilation in Bosnia and Herzegovina (the results should be presented during the next mission)	End February	Karlis, Lene
Advice on how to assess the results of the pilot survey based on the experience in countries of experts. But also on the classification of the expenditures and receipts	2015	Karlis, Lene
Suggestions for cross-checks of data based on logic validation assumptions/validation rules	2015	Karlis, Lene
Draw Financial flows of reporting units, that were discussed during the first mission, in Visio of the reporting unit Health and Unemployment Fund	End February	Linda
Provided book Understanding National Accounts (OECD)	OK	Linda

Note: Before the next mission the management of BHAS should send an introductory letter to the management of the data providers which will be invited or visited during the next mission. The introductory letter should include information to the data providers on the importance of ESSPROS and the need for provision of complete financial reports.

In activity plan included action *Draft two agendas (depending on the outcome of the discussion with the project management)* includes the following two agendas:

- Next mission in accordance with TOR

- Meeting with data providers (meeting 1 or 2 days in Sarajevo) (The meetings with the data providers require an active participation by the experts and BHAS).

In activity plan included action *Preparing the questions to data providers* includes following question and task:

- Are the administration costs of the Central Health Fund included or excluded in the data (according to ESSPROS definition only the administration costs of canton level are relevant) (BHAS, FBiH, RS, BD)
- Reconfirm the flow of administration costs of Employment Funds (FBiH)

In activity plan included action *Search websites to see what data on Bosnia Herzegovina is publicly available and what is useful/relevant for ESSPROS compilation in Bosnia and Herzegovina (the results should be presented during the next mission)* includes searching websites as:

- Misoc (OECD)
- Central Bank
- IMF
- OECD
- Statistical Offices

Topics for the next mission

Preparation for pilot survey

Discussion on how to include net benefits module and pension beneficiaries module

Discussion on how to prepare data providers

Meeting with data providers in Sarajevo

Annex 1. Terms of Reference**Activity**

4.1 Assessment on the current situation on ESSPROS. Improvement of data collection.

Benchmarks

- Analysis of local settings conducted and links with national accounts statistics defined by 2nd project quarter
- More data for developing ESSPROS available by 5th project quarter
- ESSPROS methodology available by 8th project quarter
- Results of pilot survey available by 8th project quarter

Purpose of activity

The expected activities are:

- Assessment on the current situation, including presentation of the developing ESSPROS so far during the UNICEF project
- Overview over EU regulations and requirements in this area
- Presentation of the Denmark, Latvia and Netherland experts for ESSPROS
- Analysis of different possible sources for data collection
- Identification and classification of social protection schemes
- Discussion on how to improve data collection and prepare for the pilot survey
- Review of questionnaire and instruction for filling the questionnaire
- Draft Activity plan for the pilot data collection
- Link with National Accounts

Expected output

- Current status of ESSPROS assessed
- EU experiences presented
- Possibilities for data collection discussed
- Draft Activity plan agreed
- Draft questionnaires for pilot surveys adopted
- Links with National Accounts

Annex 2. Persons met

Experts:

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Karlis Smudzis Central Statistical Bureau of Latvia
Linda Peters Statistics Netherlands

Agency for Statistics of BiH:

Gorana Knežević Senior officer for ESSPROS

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