

**TWINNING CONTRACT**

**Support to the State and Entity Statistical Institutions, phase V**

**Bosnia-Herzegovina**



**MISSION REPORT**

**on**


**Construction Statistics**

**Component no. 1.3, Activity 1.3.1**

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		 <b>STATISTICS DENMARK</b>

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## List of Abbreviations

BiH	Bosnia-Herzegovina
BHAS	Agency for Statistics of Bosnia and Herzegovina
FIS	Institute for Statistics of Federation of Bosnia and Herzegovina
RS	Republika Srpska
RSIS	Institute for Statistics of Republika Srpska
ToR	Terms of Reference

## Executive Summary

The topic of this mission was an assessment of the current situation of construction statistics in BiH , especially in the following fields of construction statistics (activities that will be covered through IPA 2008 Project): the Index of Production in Construction, Building Permits and the Index of Construction Cost. The topics are also including analysis of the legal and practical possibilities to collect data on construction statistics and in additional also include drafting of a detailed plan for a pilot survey for building permits.

Currently, annual construction statistics are published on entity and state level. FIS and RSIS also collect monthly and quarterly data on construction statistics. FIS and RSIS provide BHAS with aggregated data and BHAS compiles statistics for the state level. The existing data have not a character, which complied with the demands in EU-regulation for short term statistics. Therefore, BiH must establish a collection of data based on the unique methodology in accordance with EU Regulations. With the focus on building permits the plan for a pilot survey shall produce the necessary data in order to comply with the EU-regulations.

The demands concerning the Index of production in Construction and the Index of Construction Cost were discussed. There was an agreement about, that a further discussion was postponed to next/future missions.

Relating to the EU-regulation on building permits, the main findings were:

- The starting point is that there are no data concerning building permits at all (only data on completed dwellings and buildings exist). There are plenty information about values of construction project put in place, published annually in Statistical Yearbook in both entities and annually first release at state level. Same method is used in both entities (de-

scribed in methodology of publications). The data are detailed according to CC and section F in NACE, rev. 2.

- The data collection is decentralized and conducted on the entity level and Brcko District on the basis of laws on statistics regarding the two entities and the state level.
- BiH has established Statistical Business Register and uses it for conducting statistical surveys.
- *Quarterly Statistical Pilot Survey of Construction* was conducted in 2011 in cooperation with SIDA and established as a result of the working plan for 2012. The aim of this survey is to replace the existing monthly and quarterly surveys. The experts' opinion is that the pilot survey has more a character that goes well with Structural Business Statistics. It was also recommended, that the questionnaire should be reduced in order to contain mainly information regarding the STS regulation. This survey does not include information on building permits.
- In spite of the fact that the law prescribes that all construction works need a building permit, it could be the case that buildings are constructed without permits. There is no estimate of the size of illegal and legal construction work. It is expected that there could be underestimation in the statistics and for the future works this aspect should be investigated. For example it should be explored the government initiatives about buildings without a building permit that cannot have connection with electricity and gas.
- Due to complex administrative structure, different institutions are responsible for different building permits (municipalities in general). This will be further explored until the next mission.
- From analysis carried out during the meeting, it was mentioned, that the municipalities (also Cantons in the Federation) have information on building permits, which can be used to meet the EU-regulation. The municipalities are obliged to deliver data, according to the Law on Statistics. A central part of pilot survey is to analyze this opportunity. There could be great difference between the qualities and quantities of data from the municipalities.
- There is no data on the stock of buildings and dwellings in official statistics of BiH. The next Census (in 2013) will include the questions on buildings and dwellings.

It was suggested to include stakeholders from municipalities and administration for a common meeting during the next mission in order to discuss the wanted variables to be delivered. Furthermore, a discussion is needed regarding problems the statistical agencies/institutes could face due to collection of building permits.

## 1. General comments

This mission report was prepared within the Twinning Project „Support to the State and Entity Statistical Institutions, phase V”. It was the first mission within subcomponent 1.3 on construction statistics of the project. In this context, construction statistics cover Index of Production in Construction, Building Permits and Index of Construction Cost.

The concrete objectives of the mission were:

- Overview over EU-STs Regulations on Construction statistics
- Evaluation of the existing surveys on construction statistics and available sources
- Data collection-Statistical Units used in BHAS-BD/FIS/RSIS
- Survey design including sampling, coverage and questionnaires

- Analysis of first results from quarterly pilot survey on construction
- Overview over EU-STS Regulation on Building permits
- Administrative sources available for the Pilot survey on Building permits
- Preparation for a possible meeting with stakeholders
- Preparation of general work plan for developing construction statistics
- Preparation of the list of activities to be done before the next mission
- Preparation of the list of topics for the next mission

Additionally, the topics also include drafting of a detailed plan for a pilot survey for building permits. Despite the main focus was on building permits the other two statistics were briefly discussed, both concerning demands and methodological questions.

As regards statistical information on building permits there is currently no unique statistical source available in BiH. The intention is therefore to draft a plan for a pilot survey that is able to fulfill the legal requirements from the EU-regulation.

The 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 Istat/Statistics Denmark. Furthermore, both consultants would like to express thanks to all officials and participants for the kind support, the involvement and valuable information which we received during the stay in Bosnia-Herzegovina.

## **2. Assessment and results**

### **2.1 Introduction**

The main focus of the mission was building permits, including making a draft of a detailed plan for a pilot survey for building permits. This also included a plan with deadlines for the work until next mission.

As a starting point for the further work, an overview of the EU-regulation concerning statistics for Index of Production in Construction, Building Permits and Index of Construction Cost was presented by Roberto Iannaccone and Erik Nielsen.

The variables to be collected are:

#### **1. Index of Production in Construction**

- Total Construction
- Building Construction
- Civil Engineering

#### **2. Building Permits**

- One-dwelling Building Residential Buildings (number of dwellings)
- Two- and more Dwelling Residential Buildings (number of dwellings)
- All Buildings (square meters)
- One-dwelling Building Residential Buildings (square meters)
- Two- and more Dwelling Residential Buildings (square meters)
- Residencies for Communities (square meters)

- Office Buildings (square meters)
- Other Buildings (square meters)

### 3. Index of Construction Cost

- Total Cost
- Material Cost
- Labour Cost

The general condition for delivering data to Eurostat and the respective variables and their breakdowns were discussed in detail. Two conditions were specially underlined:

1. The rules for exceptions
2. The principle of subsidiarity/Best Practice

With these conditions in mind, all the data shall cover section F in NACE, rev. 2, follow CC, to be delivered quarterly and measured in a quality according to common criteria. The representatives from BiH were asked to consider to which degree, they will use the exceptions.

There was a short discussion of the demands and some methodological questions concerning the index of production in construction and the index of construction costs. Regarding the index of production in construction, the discussion was on the methodology used in other European countries and it has been agreed to postpone in the following mission to find which one could be better adapted to Bosnia and Hercegovina situation. For the construction costs it has been only discussed the main step that needs to be followed to arrive to the compilation of the index.

## 2.2 Current situation of construction statistics in BiH

At the moment, BHAS, FIS and RSIS are not publishing any data on building permits (or index of production in construction and index of construction cost).

There are plenty information about values of construction project put in place, published annually in Statistical Yearbook of both entities. Statistical institutes also sent out quarterly and monthly statistics on construction, but still without building permits. Same method is used in both entities (described in methodology in the publications). The data are detailed according to CC and section F in NACE, rev. 2. The data collection is decentralized and conducted on the entity level and Brcko District on the basis of laws on statistics regarding the two entities and the state level.

In cooperation with SIDA in 2011, BiH had worked out a *Quarterly Statistical Pilot Survey of Construction* conducted in 2011. Regular survey for 2012 referent year will be sent out in the end of March 2012. The aim is that this questionnaire shall replace the existing quarterly survey and some monthly publications.

As in the existing survey, the questionnaire is sent to legal entities/enterprises registered in section F of NACE Rev. 2, based on a Statistical Business Register for statistical surveys (census for enterprises with 20 or more employees). The questionnaire asks for:

1. Turnover (also with breakdown by sections of CC)
2. Payment to subcontractors

3. Employment, wages and salaries
4. Hours worked – total and by types of activities
5. Total stocks, balance
6. Gross investment in tangible fixed assets (also separate in building construction and civil engineering)
7. Dwelling construction (number of finished and unfinished dwellings and surface of finished dwellings in m<sup>2</sup>)

It is the experts' opinion that the pilot survey has more a character that goes well with Structural Business Statistics and pointed out that it alone covered the activity of legal enterprises.

A consequence of only asking the legal enterprises is that ordinary citizens' building permits cannot be included. This information's can only be obtained by the administrative authorities. Formerly, the FIS collect data on building permits by the municipalities,. The collection ended last year.

The law prescribes that all construction works need a building permit and the municipalities are obliged to deliver data, according to the Law on Statistics. Therefore, it was also concluded that the pilot project on building permits focused on the municipalities. The conclusion raised three challenges:

1. Due to complex administrative structure, different institutions are responsible for different building permits (municipalities in general and Cantons in connection with greater construction projects).
2. Which data do these authorities have on building permits?
3. The opinion is that there are the cases where buildings are constructed without permits. There is no estimate of the size of illegal and legal construction work. It is expected that there could be underestimation in the statistics.

After a discussion of the challenges, there was set up a plan for the pilot survey on building permits.

## **2.3 Pilot survey on Building Permits**

The starting points are that:

- In the existing surveys on construction statistics, there are no data concerning building permits.
- BHAS (for Brcko District), FIS and RSIS shall contact the municipalities and other institutions (ministries) responsible for building permits – not all, but a selection of them, which cover the whole country and represent both them which are expected to have many data and them which are expected to have few data on building permits.
- It was important that the authorities felt that they also benefit from the arrangement.
- Before the meetings, BHAS will prepare a proposal for a questionnaire, and send it to the entity's statistical institutions and experts for their opinion, suggestions etc.

This questionnaire can be used as a base for the discussions with the municipalities and other relevant institutions for building permits.

The experts recommend that there should be some considerations concerning unique identification number for the building permit and buildings. Otherwise, it could be difficult to get control of the database. Furthermore, they recommend that BiH should conduct an estimation of buildings built without building permits with the aim to get an impression of the quality of the data. Opinion of statisticians from BiH is that statistical institutions can't perform any kind of estimation of buildings built without building permits, for now. Their opinion is that only municipalities can estimate these data. Assumption is that municipalities have more information on these kind of buildings than statistical institutes in BiH.

### **Plan for building permit pilot survey**

- 1) The building permit: application form (from private and enterprises) and legal act (sent to expert in English by 31<sup>st</sup> of March);
- 2) To select about 5-10 municipalities in both entities + Brcko District to be visited with the aim to find out also if there exists any administrative database on building permits (by 31<sup>st</sup> of March);
- 3) Proposal for questionnaire (first draft by 16<sup>th</sup> of April) according to:
  - i. Demands from Eurostat (exceptions);
  - ii. User needs
- 4) Agreement with (second draft by 11<sup>th</sup> of May with comments from experts sent by 25<sup>th</sup> of May with final draft ready for 27<sup>th</sup> of May):
  - i. Responsible internal in the municipalities
  - ii. Other authorities
- 5) Information on unique identification number for the building permit and estimation of buildings built without building permits (by 31<sup>st</sup> of May);
- 6) Preparation of the meeting in Sarajevo with stakeholders and ToR for the second mission (by 21<sup>st</sup> of May)
- 7) Second mission in Sarajevo (4<sup>th</sup> – 8<sup>th</sup> of June):
  - i. Meeting with stakeholders;
  - ii. Definition of final draft of the questionnaire;
  - iii. Discussion of the methodology;
  - iv. Discussion and agreement on the scope and possible use of sample for pilot survey;
  - v. Detailed plan for development of pilot survey on building permits with timetable prepared.
  - vi. Planning for the 3<sup>rd</sup> mission.

It was reported that in 2013 a National Census is planned. In this, there will be some questions about buildings. It was BiH's expectation that it could be the start of a database over the building stock.

### 3. Conclusions and recommendations

It was agreed to include stakeholders (municipalities, cantons and others) for a common meeting during the two next missions (Sarajevo and Banja Luka) to discuss:

- The procedure for cooperation's
- The questionnaire
- The lacking building permits

BiH asked for the expert's comments on the *Quarterly Statistical Pilot Survey of Construction* and the *Instructions for Calculation of STS Variables and Indicators for Pilot Survey*. The agreement was that the experts send their comments by mail.

*Actions needed for preparing and conducting the next mission or future missions*

Action	Deadline	Responsible person/institution
Meeting with stakeholders, especially municipalities, to understand, what they have of information and what they want of information. The entities statisticians will visit 5-10 municipalities and other stakeholders to agree on a proposed questionnaire (send to experts)	Before 2 <sup>nd</sup> mission	BHAS (BD), FIS, RSIS
Consideration about the level of detail regarding Eurostat's demands for the Index of Production in Construction and the Construction Cost Index (exceptions). It will be a help concerning the design of the questionnaire	Before 2 <sup>nd</sup> mission	BHAS (BD), FIS, RSIS
Identification of relevant municipalities (representativeness) to the pilot study (census or sample)	Before 2 <sup>nd</sup> mission	BHAS (BD), FIS, RSIS
Consideration about how to make a unique identification of buildings and dwellings	Before 2 <sup>nd</sup> mission	BHAS (BD), FIS, RSIS
Information about number of buildings built without permits for future estimation – for own purposes following the visit to municipalities	Before 2 <sup>nd</sup> mission	BHAS (BD), FIS, RSIS
Consider the relevance of a meeting with authorities regarding procedures for reporting data on building permits to the statistical institutions	Before 2 <sup>nd</sup> mission	BHAS (BD), FIS, RSIS
Preparations of the meeting with the stakeholders. One meeting in Sarajevo and one meeting in Banja Luka in connection with the mission there.	Before 2 <sup>nd</sup> mission	BHAS (BD), FIS, RSIS
The expert comments on the <i>Quarterly Statistical Pilot Survey of Construction</i> and the <i>Instructions for Calculation of STS Variables and Indicators for Pilot Survey</i>	Before 2 <sup>nd</sup> mission	Experts

#### Topics for the next meeting, action 1.3.2

1. Training on the conceptual framework of building permits:
  - a. Forms and concepts of building permits
  - b. Presentation of the result concerning the level of detail regarding Eurostat's demand
  - c. Presentation of the result in finding relevant municipalities (representativeness)
  - d. Discuss the proposal for an unique identification of buildings and dwellings
  - e. Discussion of result of the estimate of buildings, which are built without permit, and what to do
  - f. Presentation of the Italian and Danish dissemination of building permits

2. Meeting with stakeholders:
  - a. Current situation of construction statistics on building permits in BiH
  - b. Discussion of the questionnaire
  - c. Information needs as expressed by the stakeholders
  - d. Discussion of the collection of the needed variables concerning the Eurostat's demand on building permits
3. Other surveys:
  - a. Status of the quarterly statistics pilot survey construction
  - b. Other issues
4. The pilot survey on building permits:
  - a. Discussion and planning the pilot survey
  - b. Discussion of the organizational framework (BHAS, FIS, RSIS, other surveys, separate survey)
  - c. Preparation of the methodological manual
  - d. Other issues
5. Preparation of the detailed work plan for building permits
6. Planning of 3<sup>rd</sup> mission

## **Annex 1. Terms of Reference**

### **Construction Statistics**

**19th to 23rd of March 2012**

**Agency for Statistics of BiH, Ferhadija 11, 5<sup>th</sup> floor**

**Terms of Reference - Activity 1.3.1.**

**EU Twinning Project BA 08-IB-FI-03**

Component 1 Business Statistics

1.1. Statistical Business Register

1.2. Structural Business Statistics

**1.3. Construction Statistics**

1.4. Retail Trade Statistics

1.5. Tourism Statistics

Component 2 Household Budget Survey

Component 3 Institutional Capacity

3.1. Long term strategy

3.2. Metadata and classification system development

3.3. Promotion of dissemination

### **Benchmarks**

A. Plan for development of pilot survey on building permits developed by the 2<sup>nd</sup> project quarter.

B. Plan for modification of existing surveys on construction statistics developed by the end of 2<sup>nd</sup> project quarter (end of March 2012).

C. Detail plans and preparation for pilot survey on building permits and regular production of construction statistics by 4<sup>th</sup> project quarter (end of September 2012).

D. Pilot survey on building permits conducted and existing survey on construction statistics improved by the end of 6<sup>th</sup> project quarter (end of March 2013).

E. Relevant results analyzed and plan for regular surveys in force by the 8th project quarter.

F. Methodologies developed and documented by the 8th project quarter (end of September 2013).

### **1.3.1. Activity**

- Assessment of the current situation related to development of construction statistics in BiH.
- Introduction of the EU regulations on Building permits including analyses of available sources which can be used for data collection process for pilot survey.

The expected activities are:

- Overview over EU-STS Regulations on Construction statistics
- Evaluation of the existing surveys on construction statistics and available sources
- Data collection-Statistical Units used in BHAS-BD/FIS/RSIS
- Survey design including sampling, coverage and questionnaires
- Analysis of first results from quarterly pilot survey on construction
- Overview over EU-STS Regulation on Building permits
- Administrative sources available for the Pilot survey on Building permits
- Preparation for a possible meeting with stakeholders
- Preparation of general work plan for developing construction statistics
- Preparation of the list of activities to be done before the next mission
- Preparation of the list of topics for the next mission

### **Expected output**

- Mission report – summarized and detailed version completed, including description of alternative sources, possible data collection methods and recommendations
- General and detailed activity plans and draft ToR for the next mission prepared and agreed by all partners (BHAS-BD/ FIS/RSIS participants, experts and RTA)

## Annex 2. Programme for the mission

### AGENDA

Time	Event	Purpose / detail
19 12:00	March, Welcome	Introduction by Experts on programme of the week (Erik Nielsen, Roberto Iannaconne)
	EU requirements concerning construction statistics	The development and present status in Agency/Federation/Srpska statistics, incl. the consequences of EU Regulations (Erik Nielsen, Roberto Iannaconne)
20 09:00	March, Current situation in BiH - Agency /Federation/Srpska - differences in the existing construction surveys	Presentation of existing surveys in construction from entities and BD level. Presentation of quarterly pilot survey in construction. Discussion (BC Participants)
	Statistical units- construction: coverage, sampling	(Erik Nielsen, Roberto Iannaconne, BC Participants)
21 09:00	March, EU Methodology Quarterly surveys	Erik Nielsen, Roberto Iannaconne)
	Analysis of first results from conducted quarterly pilot survey on construction	(Erik Nielsen, Roberto Iannaconne, BC Participants)
	EU requirements concerning Building permits	Introduction (Erik Nielsen, Roberto Iannaconne)
22 09:00	March, Analysis of available administrative sources for Building permits Pilot survey	(BC Participants, Erik Nielsen, Roberto Iannaconne)
	Next mission-Which topics? What to do for the	Possible suggestions, Preparation of ToR for the next Mission

next mission?				(BC Participants, Erik Nielsen, Roberto Iannaconne)
23 March	till	Debriefing		Other issues and evaluation of the Mission
12:00				(BC Participants, Erik Nielsen, Roberto Iannaconne)

## **Annex 3. Persons met**

### **Agency for statistics of BiH**

Fahir Kanlić, Specialist in Sector for Business Statistics, Department for Industry and Construction

Alen Bajramović, Senior Adviser in the Business Statistics Sector

Mirela Kadić, Senior Associate for Industry Statistics

### **Federal Institute of Statistics**

Nusreta Imamović-Kaljanac, Head of Department for Industry and Construction and coordinator for STS

Edina Dulić, Senior Adviser for Construction statistics

### **Republika Srpska Institute of Statistics (RSIS)**

Želimir Radišić, Senior Associate for Construction and Housing Statistics

### **Twinning Project Administration 00 (387) 33/911-992**

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Haris Imamovic, Interpreter