

TWINNING CONTRACT

BA 12 IB ST 01

Support to the State and Entity Statistical Institutions, phase VI



MISSION REPORT

on

Component 3: Financial Accounts

Activity 3.3.

Data collection II (government sector)

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
APIF	Intermediary agency for IT and financial services
FIA	Financial and IT agency

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 third mission to be devoted to assessment of the current situation on financial accounts for sector general government and review of data sources within Component 3 of the project.

The purposes of the mission were:

- Checking progress on the compilation of financial accounts for the sector General Government (S.13) (for years 2013 and 2014)
- Methods for estimation of unquoted shares
- Methodological explanation of difference between trade credits and other accounts receivable/payable with examples from Denmark and analysis of data from BiH
- Production of non-consolidated report for General Government
- Treatment of missing data

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 their 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.

2. Assessment and results

CBBH has been working thoroughly with GFS-data and therefore the focus for this mission has primarily been the completion of the financial accounts of the General Government sector (S.13). The results show an in depth understanding of the theory, use of the manual and classification according to ESA 2010. The results are of a high quality taking into account the data that is available to CBBH.

Data for General Government sector (S.13)

The data used for the compilation of financial accounts of S.13 are based on reports on 59 government units. In addition, monetary and financial statistics, external debt database, registries of securities and stock exchange are the main data sources (for more details see annex 3). The sector classification of units in the economy is still a work in progress (as part of component 1). In overview, the data for stock and flows of S.13 shows that the main problem for compilation of financial accounts is the lack of access to detailed data in order to achieve full coverage and a more detailed level of compilation. In Denmark, Statistics Denmark benefits greatly from the law of statistics as well as memorandums of understanding with data providers. We believe that a similar setup is highly needed for CBBH in order to improve the financial accounts.

Consolidation in S.13

CBBH presented their consolidated and non-consolidated data for S.13 and subsectors. The difficulty about which components should be removed in the non-consolidated reports of data was addressed. It was agreed, that all data available should be included in non-consolidated figures, only data within the same institutional unit is to be removed.

Estimation of quoted and unquoted shares

The compilation of quoted shares is based on valuation of stocks in the stock market. Data collection is done via information from the two existing stock exchanges' websites. At the moment, valuation of quoted shares is of good quality.

In regards to unlisted companies, CBBH has the following information:

1. A list of all companies submitting data for calculation of GDP in the entity of FBiH is available from the Statistical Office of the Federation, whereas list of companies from RS is still not available. In that list there is information about which companies are private, public, mix and unclassified. The list only contains active units that report data for GDP compilation in the Statistical Office of the Federation.
2. Aggregate data on balanced sheet of all the companies in BiH can be found on the websites of APIF and FIA. The data is aggregate and there is no information about additional breakdown, like sector and subsector breakdown, or quoted/unquoted.
3. Share fund of Investment Bank of RS is managing all fixed assets of the RS government and information on value of such assets is available. In their report it is possible to obtain the fair value of the fixed assets of the fund. Therefore, it is possible to have information about what is the total value of quoted and unquoted shares of the RS government. Data will be available for the period 2007- onwards.

Estimation of unquoted shares

Until now the information is insufficient to make a meaningful estimation of unquoted shares in sector S.13. However, due the fact that part of total value of unquoted shares in S.13 can be obtained from one of the BiH entities, it would be possible to estimate value for the other entity.

The direct data sources do not provide information about own funds of unlisted corporations. Therefore for the time being, it is not possible to make another estimation of value of unquoted shares that could be used for cross checking of figures obtained as explained above .

It has now become possible to have more exact information about what is the proportion of holding assets from companies owned by the government. At the moment for RS is 92,53% (2015). Using that proportion, we can discount the market value of the quoted share, and that will provide the fair value of the unquoted shares. Fair value is not market value, but it is quite close and therefore, it can be considered a good estimation of market value. This will be implemented when the data is received.

Another way forward would be for the APIF and FIA to provide information on data breakdown by sectors and quoted/unquoted shares in their aggregated data on balance sheet. The data exists but is not accessible to CBBH. It would be extremely useful to CBBH to have access to this data. In the case of S.13 it will provide an alternative to the estimation described above, as well as a measure of quality assurance. In the cases of compilation of F.512 for S.11 and S.2 these breakdowns are critical, as there is no other data available.

Trade credits and other accounts receivables

It is often difficult to separate trade credits (F.81) from other accounts receivable/payable (F.89). In general trade credits include payments made in advance/delay concerning good and services. What it should not be included in F.81 but instead in F.89 is any delay/advance payment related to taxes, wages, dividends, rents and interest.

As part of this activity, we went through an exhaustive list of accounting items and we discussed the nature of the items in order to classify them as F.81/F.89.

3. Conclusions and recommendations

It is the consultants' opinion that the CBBH already have done a great job at compiling financial account for general government with the resources available to them.

The biggest difficulty that CBBH face is the lack of access to more information both in detailed data and what is included in the data. The consultants highly recommend establishing memorandums of understanding with the main data providers (Register of securities RS and FBiH, Intermediary agency for IT and financial services (APIF), Financial and IT agency (FIA), Sarajevo and Banja Luka stock exchanges, Agency for privatization FBiH, Investment development bank of RS) or specified contracts in the case of commercial providers.

Action	Deadline	Responsible person
Coding of accounting items for F.81/F.89	May 2016	Amir Hadžimeragić, Ervin Zolić
Establishing Memorandums of understanding with the main data providers or contract with commercial providers.	As soon as possible	Amir Hadžimeragić and the responsible vice-governor
Implementing estimation of unquoted shares	May 2016	Ervin Zolić

In regards to Component 3: Financial Accounts, the benchmark “annual pilot data collected” is achieved.

Annex 1. Terms of Reference

EU Twinning Project BA-12-IB-ST-01

Terms of Reference

Component 3: Financial Accounts

7 – 11 March 2016

CBBH, Sarajevo, Mehmeda Spahic 5, 5th floor

Activity

- 3.3 Data collection II (government sector)

Benchmarks

- Annual pilot data collected by 5th project quarter
- Methodology for compilation of Financial Account for BiH based on ESA2010 prepared by 8th project quarter
- Financial Accounts for BiH prepared by 8th project quarter

Purpose of activity

The expected activities are:

Detailed analysis of data for general government (S.13) including:

- Checking data for stock and flows of general government (2013 and 2014 data)
- Developing model for estimation of unquoted shares
- Methodological explanation of difference between trade credits and other with examples from Denmark and analysis of data from BiH
- Production of non-consolidated report for general government
- Treatment of missing data

Expected output

- Completed financial account for General government in line with ESA 2010 requirements.

List of Participants**MS Experts**

Kristina Stæhr Vest (DK)

Maria José Alvarez Peláez (DK)

Central Bank of Bosnia and Herzegovina (CBBH)

Ervin Zolić, Head of GFS and FA Unit

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Twinning Project Administration

Søren Leth-Sørensen, RTA

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Annex 2. Agenda

Agenda

Location: Sarajevo, CBBH, Mehmeda Spahe, 5th floor

Time	Day	Place	Event	Purpose / Detail of event
8:30-8:45	Monday	CBBH	MS experts meeting with RTA and RTAA	Introducing MS experts on the work done and expected activities Welcome and Introduction
9:30-16:00			Workshop with BC Experts	Detailed analysis of data for sector (2013 and 2014) General government (S.13) -BC participant and MS experts
9:00-16:00	Tuesday, morning and afternoon	CBBH	Workshop with BC Experts	Developing model for estimation of unquoted shares -BC participant and MS experts
9:00-16:00	Wednesday, morning	CBBH	Workshop with BC Experts	Developing model for estimation of unquoted shares
	Wednesday, afternoon		Workshop with BC Experts	Developing model for estimation of unquoted shares
9:00-16:00	Thursday, morning	CBBH	Workshop with BC Experts	Methodological explanation of difference between trade credits and other with examples from Denmark and analysis of data from BH
	Thursday, afternoon		Workshop with BC Experts	Production of non-consolidated report for general government Treatment of missing data
8:30-11:00	Friday, morning	CBBH	Meeting with BC Experts	Presentation of the summary mission reports by MS experts

Annex 3. General Government (S.13) document by CBBH

General Government (S.13)

The general government sector includes all units which are principally engaged in the production of non-market goods and services intended for individual or collective consumption and/or redistribution of national income and wealth. The general government sector consists of the central government, local government, social security funds and extra budgetary funds.

The subsector central government (S.1311) consists of administrative bodies and departments of the central government and other central agencies whose competence extends over the whole economic territory of the country, except social security funds. This sector includes governments of all level of authority in BH.

The subsector local government (S.1313) includes public administration whose competence extends to only a local part of the economic territory.

The subsector social security funds (S.1314) includes all central and local institutional units whose principal activity is to provide social benefits. It includes employment funds, health funds, pension funds, etc.

Central Bank of Bosnia and Herzegovina (CBBH) is the only institution that compiles financial accounts of the government sector for total of 59 units¹. This data is currently only transmitted to IMF statistical department on quarterly and annual level. In the compilation process of financial accounts, CBBH, apart from using official government reports, relies on number of other sources. For compilation of currency and deposits and domestic loans, CBBH uses monthly survey of banks, securities other than shares - stock exchanges, equity and investment fund shares - stock exchanges, privatization agencies for stock of non-privatized government assets (unquoted shares) and others.

Pending of the outcome of the on-going sectorization project, it is envisaged that number of public units will be classified into S.13 also including market units that failed 50% market test and quasi corporations.

Currency and deposits (AF.2)

i) Assets

Data entry	Asset of	Liability of	Relevant data source
Transferable deposits	CG	CBBH	<ul style="list-style-type: none"> - Monetary and financial statistics CBBH - Government reports
Transferable deposits	LG, SSF	OMFI	<ul style="list-style-type: none"> - Monetary and financial statistics CBBH

¹ Please note that Municipalities are represented as two units whereas actual number of municipalities are 143.

			- Government reports
Other deposits	CG	CBBH	- Monetary and financial statistics CBBH - Government reports
Other deposits	LG, SSF	OMFI	- Monetary and financial statistics CBBH - Government reports

ii) Liabilities

Not applicable.

Securities other than shares (AF.3)*i) Assets*

not applicable

ii) Liabilities

Valuation is based on market value for traded securities, whereas for nontraded securities is used bookkeeping value.

Data entry	Liability of	Asset of	Relevant data source
Securities other than shares: short-term	CG	OMFI, OFI, ICPF, RoW, HH	- Stock exchanges - Government reports - Registries of securities
Securities other than shares: long-term	CG, LG	OMFI, OFI, ICPF, RoW, HH	- Stock exchanges - Government reports - Registries of securities

Loans (AF.4)

Valuation – all loans are valued at market value. For time being, data on accrued interest is still not available.

i) Assets

Data entry	Asset of	Liability of	Relevant data source
Loans: short-term	CG	LG	<ul style="list-style-type: none"> - External debt database Ministry of finance BH, - Government reports
Loans: long-term	CG	LG, SSF, Extra budgetary funds	<ul style="list-style-type: none"> - External debt database Ministry of finance BH, - Government reports

ii) Liabilities

Data entry	Liability of	Asset of	Relevant data source
Loans: short-term	CG, LG, SSF	OMFI, OFI, ROW	<ul style="list-style-type: none"> - Monetary and financial statistics CBBH – monthly survey of banks
Loans: long-term	CG, LG, SSF	OMFI, OFI, ROW	<ul style="list-style-type: none"> - Monetary and financial statistics CBBH – monthly survey of banks - Government reports - External debt database Ministry of finance BH

Shares and other equity (AF.5)

Quoted shares are valued at market value, unquoted shares and other equity at bookkeeping value.

i) Assets

Data entry	Asset of	Liability of	Relevant data source
Quoted shares	CG, LG, SSF	NFC, OFI	<ul style="list-style-type: none"> - Registries of securities - Stock exchange - Government reports
Unquoted shares	CG, LG, SSF	NFC, OMFI, OFI	<ul style="list-style-type: none"> - Government reports

Other equity	CG, LG, SSF	CB,NFC, OMFI, OFI	- Government reports
Mutual funds shares	not applicable	not applicable	not applicable

ii) Liabilities

No data available.

Insurance technical reserves (AF.6)*i) Assets*

Not applicable

ii) Liabilities

Not applicable.

Financial derivatives and employee stock options (AF.7)*i) Assets*

Not applicable

ii) Liabilities

Not applicable

Other accounts receivable and payable (AF.8)

Valuation is done based on market values.

i) Assets

Data entry	Asset of	Liability of	Relevant data source
Trade credits and advances	CG, LG, SSF	NFC, HH, RoW	- Government reports
Other accounts receivables	CG, LG, SSF	NFC, HH, RoW	- Government reports

ii) Liabilities

Data entry	Liability of	Asset of	Relevant data source
Trade credits and advances	CG, LG, SSF,	NFC, HH, RoW	- Government reports
Other accounts payable	CG, LG, SSF	NFC, HH, RoW	- Government reports