

# TWINNING CONTRACT

BA 15 IPA SR 01 17

## Support to the reform of the statistics system in Bosnia and Herzegovina



## MISSION REPORT

**Activity 1.7: Setting up Regional Accounts II**

**Component 1: National Accounts**

Mission carried out by

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## List of Abbreviations

BC expert	Beneficiary Country expert
BD	Brcko District
BHAS	Agency for Statistics of Bosnia and Herzegovina
BiH	Bosnia and Herzegovina
CoE	Compensation of Employees
EC	European Commission
EU	European Union
FBiH	Federation of Bosnia and Herzegovina
FIS	Institute for Statistics of Federation of Bosnia and Herzegovina
FISIM	Financial Intermediation Services Indirected Measured
GFCF	Gross Fixed Capital Formation
GDP	Gross Domestic Product
GVA	Gross Value Added
LFS	Labour Force Survey
MS expert	EU Member State expert
NACE	Nomenclature statistique des Activités économiques dans la Communauté Européenne
RSIS	Institute for Statistics of Republika Srpska
RTA	Resident Twinning Adviser
ToR	Terms of Reference

## 1. General comments

This mission report was prepared within the EU Twinning Project "Support to the reform of the statistics system in Bosnia and Herzegovina". It was the sixth mission (activity 1.7) to be devoted to setting up the regional accounts within Component 1 National Accounts of the project.

The purposes of the mission were:

- Follow up from the previous mission- discussion about the provided data and experimental compilation prepared by BC experts and delivered to MS experts in accordance with recommendations from last mission (P1, P2 and GVA, NACE A to S at NUTS II level and for all common institutions for which compilation is usually made by BHAS)
- Follow up on available data sources and proposed method regarding employment (persons and hours worked), GFCF and CoE by NACE activity- administrative data sources, LFS, different surveys, data from financial statements from National Accounts
- Methodological guidelines and recommendations in process of production of regional indicators (GVA, GDP, CoE, GFCF, Employment)
- Setting up regional accounts in accordance with EU methodology

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 consultant.

This views and observations stated in this report are those of the consultant and do not necessarily correspond to the views of EU, BHAS, FIS, RSIS, CBBH, Statistics Denmark, INSEE, Statistics Finland and Croatian Bureau of Statistics.

## **2. Assessment and results**

### **2.1. Regional GVA and GDP**

One of the purposes of this mission was to continue with work on setting up the process of regional GVA and GDP compilation. During the last missions experts analysed all available data sources, provided their methodological guidelines and proposed method for regionalisation of GVA. Experimental compilation was set up for NACE A to F at the level of entities. Some minor issues were noticed in data of multiregional entities (number of employees for the units with 5 and more employees in total in LKAU that were missing in some cases). BC experts investigated and delivered updated list of those entities as well as compilation for P1, P2 and GVA with new numbers to MS experts.

MS experts updated the experimental compilation according to the latest delivered data for NACE A to F without common institutions data for P1, P2 and GVA for 2015.

During this visit experts continue with their work on all other NACE activities (G to S) for which BC experts provided data before the mission has started. MS experts prepared an overview table for the categories P1, P2 and GVA for NACE activities from G to S (incl.) and presented results for the year 2015. without common institutions. For mentioned common institutions, BHAS delivered the data from National accounts sorted by the headquarter and also prepared the regionalisation of values in NACE activity D, H, K, M, N, O, R, S. Consequently, MS experts made compilation of the given data and provided an analysis with impacts and comparison with National accounts data. BC experts from RS noticed some illogical issues in the data delivered for NACE D and O (common institutions) regarding employment. MS experts recommendation is to put additional effort in order to reach higher quality data and update the compilation where needed.

Treatment of FISIM in national and regional accounts was discussed as well during this mission. At the moment FISIM is not allocated to NACE activities in the annual National accounts and instead of that, it is shown separately from the GVA. MS experts agreed to make 2 versions of FISIM re-allocation and to send it to BC experts for comparison and analysis the differences in order to achieve best possible solution.

With respect to reach regional GDP, transition from regional GVA to GDP has to be addressed. MS experts presented the regional accounts methodology concerning taxes and subsidies. BC experts once again confirmed earlier presented way of calculating that categories. All the parties agreed that this way of compilation satisfies the regional accounts requirements.

### **2.2. Gross fixed capital formation**

The BC experts had provided already existed table with GFCF (P.51g) by type, NACE rev.2 A-S at a NUTS II level. The BC experts stated that the table was in coherence with the ESA2010 requirements and that source data was consistent with the source data of intermediate consumption, so that double counting was not an issue. With respect to the regional accounts (RA), the BC experts also confirmed that the table was completed for that purpose and could be considered consistent with RA. The BC experts were in

agreement that the table of the regional compilation of P.51g on NACE rev.2 A-S was of such high quality and consistency to the rest of RA that it could be considered as a final version.

### **2.3. Labour input to the production in the NA/RA**

From the previous mission in September BC experts mentioned that the LFS has not been used as a main data source by the National Accounts. Years ago this source was analysed and back then it was found that the quality was insufficient for the needs of National Accounts. The Danish MS expert associated at the time, addressed these issues in a draft compilation showing the principles of how to make adjustments to achieve the NA concepts and structure (on the basis of LFS and structure of Labour Statistics).

The new MS expert reviewed the suggested compilation together with the BC experts. BC experts assessed that the data on employees, compensation of employees and number of employees based on hours worked from business reports are of considerable quality and a preferred source. The MS expert answered that LFS is not a mandatory data source, what is essential is that the compiled employment corresponds to the production in the NA/RA. The different types of adjustments/additional compilations that will be necessary will depend on the source BC experts will use. The MS expert emphasized that a mix in data sources requires extra attention to double counting. Different methods to achieve exhaustiveness and allocation of labour input in the RA were discussed.

## **3. Conclusions and recommendations**

During the sixth mission, MS experts gave their recommendations on different topics.

MS experts concluded that much intensive communication is needed between all included parties on aspects of compilation process in Regional Accounts. Mutual agreement should be reached within the compilers of Regional accounts data on all sensitive area. Joint co-operation should be made on all levels of Statistics between Statistical Business Register, business statistics and National accounts on all important issues (re-classification of Units, improvements in the area of collecting data of LKAU and new surveys/questions made according to the NACE activities for LKAU, etc).

One of the benchmark of this project component is drafting short methodological document covering all data sources used and compilation practice in regional account. According to the Law on Statistics, BHAS is responsible for writing methodology and MS experts recommendation is that all involved institutions should meet as soon as possible to agree on duties and responsibilities as well as deadlines for preparation of Document.

The BC experts stated that they prefer to reallocate employment, hours worked and compensation of employees of the NA of BiH using the same indicators for the reallocation of production from NA to RA. The MS expert was very supportive of this procedure, since the challenge of exhaustiveness and double counting has been met in the NA of BiH, and the allocation of labour input in RA must be consistent with the allocation of production in RA.

<b>Action</b>	<b>Deadline</b>	<b>Responsible person</b>
MS experts will provide 2 versions of FISIM with regional allocation to the BC experts for further consideration.	18.06.2019.	Natalija Krunic Jelena Kelebuh Arambašić
MS experts will prepare the first test version of regional GDP data for 2015	30.06.2019.	Natalija Krunic Jelena Kelebuh Arambašić
BC experts will investigate the possible errors within an input data and corrected it accordingly.	30.09.2019.	Brana Taraba-BHAS
BC experts will prepare and update the complete set of test version of regional GDP data for 2016 in a form as 2015 template.	30.09.2019.	Brana Taraba-BHAS
MS experts will make final evaluation of the complete set of test version of regional GDP data for 2015 and 2016.	30.10.2019.	Natalija Krunic Jelena Kelebuh Arambašić
Allocate compensation of employees (D1) from the NA of BiH (FIS, RSIS, BHAS and BD) according to the production allocation made in the RA at NUTS II level, for NACE rev.2 A-S	30.09.2019.	Brana Taraba-BHAS
Allocate employees and self-employed from the NA of BiH (FIS, RSIS, BHAS and BD) according to the production allocation made in the RA at NUTS II level, for NACE rev.2 A-S	30.09.2019	Brana Taraba-BHAS
Allocate hours worked of employees and self-employed from the NA of BiH (FIS, RSIS, BHAS and BD) according to the production allocation made in the RA at NUTS II level, for NACE rev.2 A-S	30.09.2019	Brana Taraba-BHAS
First draft version of Methodology on Regional accounts prepared and delivered to RTA	Date will be set by the middle of July 2019.	Brana Taraba-BHAS

## Annex 1. Terms of Reference

### Terms of Reference

#### EU Twinning Project BA 15 IPA ST 01 17

#### Component 1: National Accounts

11-14 June 2019

Hosting Institution: RSIS, Veljka Mladjenovica 12d, Banja Luka

#### Activity 1.7: Setting up Regional Accounts II

##### 1. Mandatory results and benchmarks for the component

Mandatory result:

- Regional accounts, as a subsystem of national accounts, introduced and regional indicators at NUTS 2 level produced in line with EU standards by 8th project quarter

Benchmarks:

- Data sources identified and adjusted for regional accounts by 5th project quarter
- First test version of regional accounts at NUTS 2 level produced by 8th project quarter
- First version of basic regional indicators produced by 8th project quarter (Gross value added, Gross domestic product, Gross fixed capital formation, Employment data, Compensation of employees data)
- Quality report for regional accounts developed by 8th project quarter

##### 2. Purpose of the activity

- Follow up from the previous mission (to be prepared by MS experts)

###### Prepared by the MS experts

- Experimental compilation shown at the mission with adjustments made for P1, P2 and GVA (for multiregional entities) between entities and BD - regionalisation at NUTS II level, for NACE A to (incl.) F

###### Prepared by the BC experts

- Updated list of multiregional business entities which have LKAU on the territory of other entity (FBIH OR RS) or BD) for NACE A – (incl.) F - individual data on 2.-digit NACE level; (P1, P2, GVA, total number of employees, number of LKAU and number of employees in LKAU)
- Updated experimental compilation for regional GVA (NACE A – (incl.) F for each entity and BD. Number of employees in LKAU should be updated along with P1, P2 and GVA values for multiregional business entities

- Deliver current data for entities and BD from NA (2015 and 2016)- individual data on multiregional companies (ID number, NACE code (2.-digit), P1, P2, GVA, total number of employees, number of LKAU and number of employees in LKAU), NACE G - NACE U
- Experimental compilation prepared by entities and BD, adjustments for P1, P2 and GVA on the level on business entity (NACE G – (incl.) U
- Deliver current data from NA (2015 and 2016) for all common institutions at the level of BIH for which compilation is made by BHAS and for which data are provided to entities and BD- individual data on all (uniregional and multiregional) companies (ID number, NACE code (2.-digit), P1, P2, GVA, total number of employees, number of employees in each entity and BD
- Experimental compilation prepared by BHAS for common institutions at the level of BIH (uniregional and multiregional), P1, P2 and GVA on the level on business entity (NACE G – (incl.) U
- Setting up regional accounts with a selection of data sources
- Development of methodology
- Production of basic regional indicators (Gross value added, Gross domestic product, Gross fixed capital formation, Employment data and Compensation of employees data)

### **3. Expected output of the activity**

- Recommendations for establishing regional accounts made
- Test set of regional accounts made
- Input to methodology made
- Draft basic regional indicators produced
- Input provided to the ToR of next activity

## **Annex 2: Persons met**

### **Agency for Statistics of BiH (BHAS)**

- Brana Taraba- Senior Adviser for Regional Accounts

### **Institute for Statistics of Federation of BiH (FIS)**

- Nermina Ibrišević-Ademović, Head of Department
- Danijela Bujak-Buzuk, Senior Adviser for National Accounts
- Šejla Šehović-Karšić, Senior Adviser for Investment of fixed assets
- Belma Karadža, Senior Adviser for National Accounts

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

- Jelena Đokić, Assistant Director
- Rada Radanović, Head of National Accounts Department
- Dragana Kunovac, Senior Associate for State and Financial Sector - Project Component Coordinator for Regional Accounts
- Dijana Maleš, Senior Advisor for Investments, National Assets and Fixed Capital Consumption
- Žana Alagić, Senior Associate for the Nonfinancial Sector

### **MS Experts**

- Natalija Krunić, Croatian Bureau of Statistics
- Jelena Kelejuh Arambasić, Croatian Bureau of Statistics
- Kathrine Lindeskov Johansen, Statistics Denmark

### **Twinning Project Administration**

- Katja Møller Hjelvang, RTA
- Haris Imamovic, Interpreter

## Signatures

For the approval of the contents of this report, representatives from BHAS, FIS and RSIS as well as MS experts and the RTA sign here:

Date: 14th of June 2019

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Component leader, BHAS

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Component leader, FIS

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Component leader, RSIS

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RTA

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MS Expert

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MS Expert

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MS Expert