

TWINNING CONTRACT

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



MISSION REPORT

Activity 2.2.1:
Assessment and status check since last Twinning project.
How to use administrative data sources for SBS.

Component 2: Business Statistics
Sub-component 2.2: Structural Business Statistics

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List of Abbreviations

AD	Administrative Data
APIF	Financial Agency for RSIS
BHAS	Agency for Statistics of Bosnia and Herzegovina
BiH	Bosnia and Herzegovina
BD	District of Brcko
CBBH	Central Bank of Bosnia and Herzegovina
E&I	Editing and imputation
EC	European Commission
EU	European Union
FBiH	Federation of Bosnia and Herzegovina
FIA	Financial Agency of FBiH
FIS	Institute for Statistics of Federation of Bosnia and Herzegovina
iFATS	Inwards Foreign Affiliates
ITA	National indirect tax administration of BiH
MS	EU Member State
NACE Rev.2	Statistical classification of economic activities in the European Community
RSIS	Institute for Statistics of Republika Srpska
RTA	Resident Twinning Adviser
SBS	Structural Business Statistics
ToR	Terms of Reference

Executive Summary

The BC has followed the recommendations of the previous twinning project quite well. The Croatian model shown during this mission was a concrete example that demonstrates how they could move forward with AD SBS production. It is only an example and should be adopted to local needs where required. There was extensive discussion and questions on the Croatian model.

The STE's recommended BiH continue with SBS production as before but carry out a pilot on AD SBS production during 2018 to build up knowledge on the process, build experience on the process, to allow comparison between the pilot results and their survey methodology and to provide them with answers as to the extent AD SBS production could and should be used in SBS production.

The local environment is complicated by the fact that there are three entities involved in statistical production, with different sources of AD and three legislations to adhere to (elaborated below).

One key problem is evident. FIS (despite legislative rights) has not been able to obtain company financial statements from FIA. Until this issue is resolved, FIS will use statistical annex to produce data until this problem with FIA is resolved. Thus the STE's hope the project will work together with the BC (and if needed, ask for EU support) to make this information available. It would be important the entities work together during the pilot phase, exchanging experiences and developing needed IT solutions together. It is also important that they move forward with AD SBS production at the same pace.

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 first mission to be devoted to Activity 2.2.1 Assessment and status check since last Twinning project. How to use administrative data sources for SBS within Component 2.2 Structural Business Statistics of the project.

The purposes of the mission were:

- Assessment of current situation, challenges and development since the last Twinning project
- Presentation and discussion on the current situation of production of SBS in BiH
- Presentation of good practice in EU Member States for production of SBS variables using administrative data sources
- Presentation of relevant and available administrative data providers and sources in BiH
- Analysis of existing administrative data sources and potential limitations
- Relevant meeting/s with possible data providers
- Discussion on possible administrative data sources in BiH, how data can be shared and the way forward

The consultants would like to express their thanks to all officials and individuals met for the kind support and valuable information which he/she 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

The situation in BiH is demanding because there are 3 official statistical institutions in the statistical production. They have to be looked at individual and together:

- Agency for Statistics of BiH (BHAS) with The District of Brcko (BD) (a branch of BHAS)
- Institute for Statistics of Federation of BiH (FIS)
- Institute for Statistics of Republika Srpska (RSIS)

There is an Indirect Taxation Authority (ITA) operating at state level (BiH). It collects and processes data from customs declarations and VAT declarations. There are tax administrations operating at entity levels as well as Brcko District (BD). They collect and process data on direct taxes.

The current status of SBS production in BiH was presented. It could be summarized as survey based SBS with harmonized forms by FIS, RSIS and BD. The survey forms contain identical data fields but differences are found in accounting terms (chart of accounts) – depending on the entity receiving the form. Statistical production is performed by all three institutions using one in-house developed application integrating both soft and hard controls. The questionnaires with outliers are checked by methodologists.

Eurostat data tables are transmitted for Annexes I-IV on a regular basis since 2012 and the procedure is documented and followed on schedule. Entrepreneurs SBS data was added in 2014 as reference year. Annex VIII and Inwards Foreign Affiliates (iFATS) data are also submitted to Eurostat on a regular basis.

Annual financial reports are submitted to financial agencies. There are two financial agencies FIA which represents the Federation and APIF for The Republika Srpska.

APIF delivers these data including accounting annex to RSIS in electronic format based on an agreement for the general supply of information. RSIS also have a similar agreement signed with the Tax Administration.

FIS does not have access to accounting data from FIA. Currently, FIS has data from the Statistical Annex developed by national accounts. According to the instructions of the Federal Ministry of Finance, statistical unit - enterprises are obliged to submit the filled in Statistical Annex to the Federal Office of Statistics at the same time as they submit the final statement of the FIA. Data from the statistical annex can be used for SBS production during the pilot phase.

This mission's one objective was to facilitate the availability of this data for FIS. This would allow both entities to move forward with AD for SBS in the same way. Experts in both entities have a clear path forward in achieving this objective.

Available Administrative Data sources in BiH have been outlined, this analysis includes availability and source information. The FIA financial statements are the key data source for FIS SBS AD production. There is a statistical annex to the financial statement (developed by national accounts) which is forwarded to FIS (paper form).

Concrete experiences in achieving AD SBS production can be found in Croatia and their model was presented. The experiences, problems and processes described in the Croatian model cover a very similar process experienced a few years earlier and provide an excellent example on how to move forward. It is anticipated that it cannot be directly adopted as such, but still could be used as an adoptative model, modified in line with local conditions. An overview of best practices in EU on AD was presented.

Risks of AD as sources for SBS production were outlined.

The timeline for annual statistical production (survey questionnaires should be sent in April) requires commencing preparation for the delivery of the next survey questionnaires. With much work still needed to confidently start to use AD for SBS statistics, the STE's recommend an AD pilot of the 10 largest companies based on the statistical year 2016. This should be carried out in parallel with normal statistical production. This would allow all entities to prepare for the transition, test the AD production methodology (initial E&I, influential errors, interactive and automatic E&I, Macro E&I, suspicious aggregation), data input, possible automatic checks and corrections and to develop the required software for the process.

Based on the pilot phase results, the entities should evaluate how much and which parts of SBS should be moved from survey to AD sources. Considering the majority of EU countries still use a mix of the two methods, it is probable that BiH will fall into this mixed-mode category.

The checklist and suggested formulas of variables, based on BC presented questionnaires (Balance sheets, P/L accounts and statistical annexes) for Annex 1-IV, Federation and RS was outlined. They were cross referenced with EU methodology and discussed in detail.

FIA data availability

FIA data availability (financial statement) is one of the key issues that has to be resolved promptly. It is not covered in the summary mission report, as the summary report was finalized before the FIA meeting. Therefore it is elaborated upon in detail in this final mission report.

Currently, FIS does not have access to financial statements from FIA. RSIS has obtained access to final statements through direct agreement with APIF.

On the final afternoon of the mission, a meeting was held with FIA. Present were the head of legal and common affairs Mr. Zlatko Mijatovic (FIA), Assistant Director for SBS at FIS Sanja Ambrožić, the project RTA, both STE's, Ms. Tima Karacic (BHAS), and both Ms. Alma Colpa and Ms. Aida Halilovic from FIS. The meetings main objective was to clarify why FIS has not been granted access to administrative data from FIA. For both FIS and RSIS to move forward at the same time in AD SBS production, they both require that financial statements are made available for their use. This first meeting, which in itself was difficult to set up, was beneficial as a starting point for what is probably a difficult task.

FIS presented its needs and reasoning, BHAS its appreciation for making this meeting finally possible. FIA explained that the decision to not make these data sources available were related to financing as well as data security concerns of their director. The STE's explained the

Legislative rights of FIS to these AD data sources. FIA admitted that similar demands have been put forward by other government entities. On recommendation of FIA after further discussion, it was agreed to arrange another meeting at top management level. The project needs to be proactive and escalate the levels of discussion and pressure until agreement is reached. Without access to this data, FIS AD SBS production will not be in line with the other entities.

Legislative rights of access to administrative data Article 4 paragraph 13 The Law of FIA set out that FIA “collects, processes, publishes and delivers data from various sources, and ensures the connection and multipurpose use of data from the register for further records, analytical and informative use in ministries and government services for the needs of federal statistics and the public

Article 32 of the Law on Statistics of FBiH

The Federal Institute and the authorized bodies and institutions referred to in Article 7 of this Law are obliged to cooperate with each other and exchange available data and information for forming and maintaining multipurpose databases, registers, aggregated statistical data banks and other common ones contents that complement the unity of the statistical system and provide data for users, exchange information and international comparisons.

The obligations of individual task holders referred to in paragraph 1 of this Article, as appropriate, shall be defined more closely Program and Work Plan referred to in Article 17 of this Law”.

(the complete law is in outputs: “Annex 2B Law on Statistics of the federation of FBiH eng.pdf”)

Based on this, FIS should have a legal right to obtain financial statements from FIA.

The problem of initial access to administrative data is common for many countries at the initial stage. Solutions to obstacles have varied but they generally have succeeded. The STE’s emphasize that the project (and if needed the EU delegation) can and should play an active part in facilitating negotiations and not leave the BC alone to address this issue.

All statistical entities are willing and able to start to use AD for SBS statistics. Unless FIS is granted access to financial reporting by FIA, they will use data from Statistical annex for the pilot phase and RSIS will use AD for SBS production.

3. Conclusions and recommendations

Review of statistical and accounting Annexes used by FIS, BHAS and RSIS:

- The Annexes were reviewed and suggestions made. A revised statistical SBS annex was proposed for review by the BC.
- There are reductions in response burden (duplicate questions)
- It is recommended to start the process of reviewing and updating these.

- The new SBS annex proposal also takes into account future EU requirements.

Key factors identified for the successful implementation of AD SBS production are:

1. Making sure FIA AD sources are made available in time to achieve the mandatory result of this Twinning project component
2. Keeping the different entities progress in line with each other and working together
3. Development of needed software and availability of continued IT support
4. Development of the statistical process (statistical expert resources)
5. Top management support for the project
6. The required resources to achieve points 3 and 4 in addition to normal SBS production

Other recommendations

- Reinforce the authority of the SBS units
- Clarify and use the legal rights of statistical entities to AD sources
- Develop contacts and interaction with key AD providers
- SBS staff should familiarize themselves further with AD, accounting methodology and practice with IT tools
- SBS staff should stay up to date with developments in their field (self-learning, Eurostat training courses, etc...)
- Preparation for the arrival of FRIBS (expected 2019).

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

Action	Deadline	Responsible person
FIA agreement with FIS for availability of AD (financial statements)	ASAP, by AD statistical production in 2019	FIS, BHAS with support from (as needed) by mission and EU delegation
Draft proposal Agreement for the general supply of information or SBS AD	Draft for Mission 2 Reviewed during Mission 2	FIS
Draft first set of SBS variables from the pilot	Delivered to STE's before Mission 2	BHAS, FIS, RSIS (in cooperation)
Review of suggested new SBS Annex for the pilot	For Mission 2	BHAS, FIS, FSIS (in cooperation)
Presentation of draft methodological documentation for the AD pilot	Draft for Mission 2 Reviewed during Mission 2	BHAS, FIS, FSIS

Annex 1. Terms of Reference

Terms of Reference

EU Twinning Project BA 15 IPA ST 01 17

Component 2: Business Statistics

Sub-component 2.2: Structural Business Statistics

05-09 February 2018

Activity 2.2.1: Assessment and status check since last Twinning project.

How to use administrative data sources for SBS

1. Mandatory result and benchmarks for the component

Mandatory result:

- Use of administrative data for producing structural business statistics established by 8th project quarter

Benchmarks:

- Inventory of existing administrative data source for the compilation of structural business statistics variables prepared by 1st project quarter
- Agreement with provider/s of administrative data sources made by 8th project quarter
- First structural business statistics variables based on administrative data produced by 8th project quarter
- Burden of reporting units calculated by 8th project quarter
- Updated methodological document on structural business statistics developed by 8th project quarter
- Quality report for Structural business statistics developed by 8th project quarter

2. Purpose of the activity

- Assessment of current situation, challenges and development since the last Twinning project
- Presentation and discussion on the current situation of production of SBS in BiH
- Presentation of good practice in EU Member States for production of SBS variables using administrative data sources
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3. Expected output of the activity

- Current status of SBS assessed
- Knowledge gained on how EU Member States work with administrative data sources
- Possible administrative data sources identified
- Administrative sources analyses
- Relevant meeting/s with data providers held
- Input provided to the ToR of next activity

Annex 2. Persons met

Agency for Statistics of BiH (BHAS)

- Tima Karačić, Head of Business Statistics Unit
- Bojana Cicovic, Specialist in Business Statistics Department
- Vesna Šehovac, IT specialist
- Azur Đapo, Senior Officer for SBS

Institute for Statistics of Federation of BiH (FIS)

- Sanja Abrozic, assistant Dir of Sector of Business stats
- Alma Čolpa, Advisor for SBS
- Aida Halilović, Senior advisor for SBS

Institute for Statistics of Republika Srpska (RSIS)

- Danica Babić, Senior Officer for SBS
- Slađana Nikić, Senior Officer for SBS

MS Experts

- Ville-Matti Pilviö, Statistics Finland
- Stjepan Boroš, Croatian Bureau of Statistics

Twinning Project Administration

- Katja Møller Hjeltvang, RTA
- Đemka Šahinpašić, RTA Assistant

Stakeholder

- Financial Information Agency of FBiH – FIA
Zlatko Mijatovic: Head of legal and Common Affairs

Attached output documents

- Current status of SBS in BiH:
Output1_SBS -IPA- structural business survey in BiH_final.pptx
- Presentation of AD SBS production in Croatia, a Case Study:
Output2_Cro_SPS Presentation(EN).ppt
Output2_YFR_Cro.xls
- EU use of AD in SBS production:
Output3_EU_Use of Administrative data in SBS.pptx
- Analysis of available AD sources in BiH:
Output4_AD available and status_Analiza administrativnih za misiju.xlsx
- Calculation of variables and SBS annex proposal:
Output5_Calculation of variables and SBS annex proposal (I-IV).xlsx
- Risks with using AD for SBS production:
Output6_RISKS.docx
- Law on Statistics of the federation of FBiH:
Annex 2B Law on Statistics of the federation of FBiH eng.pdf