

TWINNING CONTRACT

BA 15 IPA SR 01 17

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



MISSION REPORT

Component 3: Balance of Payment and IIPs

Activity 3.5: Assessment of the current situation of IIPs

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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
RS	Republik Srpska
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

Only if core text of mission exceeds 4 pages – otherwise delete

Main conclusions and highlights from findings.

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 Quarterly International Investment Position (IIP) within Component 3 of the project.

The purposes of the mission were:

- **Assessment of the current situation of Annual International Investment Position**
- **Present EU MS experience with quarterly IIP**
- **Discuss sources for compiling quarterly IIP in CBBH**

The consultant would like to express his/her 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, Danmarks Nationalbank, INSEE, Statistics Finland and Croatian Bureau of Statistics.

2. Assessment and results

Assessment of the current situation of the International Investment Position:

MS and CBBH experts have been discussing the following items:

- Current status of IIPs assessed
- Knowledge gained on EU best practice and Member State experience in annual and quarterly IIPs
- Possible data source identified
- Input provided to the ToR of next activity

The Central Bank of Bosnia and Herzegovina (CBBH) is in charge of compilation and dissemination of both Balance of Payments statistics and International Investment Position and Foreign Direct Investment statistics in Bosnia and Herzegovina. Compilation and dissemination is done according to the internationally recognized standards, set by the International Monetary Fund (IMF) and most recently published in 2009 in the sixth edition of Balance of Payments and International Investment Position Manual (BPM6) and OECD Benchmark Definition fourth edition (BD4). The BPM6 based time series are from the beginning of year 2006 for annual IIP.

In the CBBH International Investment Position compilation, four primary sources for collecting data are used:

- Direct surveys (survey on direct investments, survey on trade credits and advance payments)
- Statistical and administrative sources of data (web publications of the ECB, BIS)

- Statistics compiled in the CBBH (statistics of monetary and financial sector, government finance, banking, currency, monitoring and analyses and accounting)
- ITRS (International Transactions Recording System) – reports of commercial banks in BiH on the performed payment and collection transactions performed by banks for their clients towards non-residents.

CBBH presented a table where IMF data requirement and sources for all items are listed as currently obtained. CBBH currently cover well IIP items, but do not compile and disseminate any country details, the later demanded by Eurostat.

Reports on International Investment Position are compiled on annual basis, and released to the public at least 9 months after the reference period. Data is transmitted to the IMF no later than 8 months after the reference period.

Some of the sources are available on a quarterly basis, while others are only available on an annual basis. Part of the quarterly reporting only contains flows, but no stock information. Data collected for other statistics (MFS, GFS) are being reused as sources for the IIP compilation.

Processes

Data collection is based on a number of different surveys and the process of getting the data is mainly a manual task demanding a lot of resources (sending out surveys by post, getting data by post or attached to emails and then put into the system by staff at CBBH). The compilation of annual IIP is done in spreadsheet set-up which seems fine for the current amount of data. CBBH has developed a data base to handle portfolio investment, but currently they've not been able to get data reported by registries of securities.

Administration of different data vintages is handled in spreadsheet system. For each annual production a data vintage is saved and can be used for analysing revisions to data.

CBBH has access to Eurostat conversion tool to convert spreadsheet data into SDMX-compact format and if the IIP data is converted into the BOP/IIP DSD, then CBBH should be able to send SDMX-compact data to Eurostat.

Quality:

CBBH are doing cross checking of different sources (MFS and annual FDI survey) and are also using data from the Ministry of Finance and Ministry of Foreign Trade to control data reporting.

A revision policy is available and standard is to revise T-1 and T-2 when compiling and disseminate new annual data.

Knowledge gained on EU practice and member State experience in annual and quarterly IIP

MS presented the practice in Denmark respectively Finland. Main findings are:

- Uses data warehouse environment to compile IIP
- Integrated IIP compilation with other statistics (BOP, National accounts)
- Requirements related to IIP incorporated in reporting for other statistic areas
- Data are reported at most detailed level and then grossed up to relevant transmission (flexibility)
- Online reporting systems
- DSD build into the system from the beginning of the data flow

Possible data sources

See Annex Y which shows the connection between the different instruments/sector broken down by asset/liabilities for a list of sources.

3. Conclusions and recommendations

List conclusions and recommendations related to the activities mentioned in the ToR.

It was concluded that

-in the short term quarterly IIP production in present compilation environment is feasible, reporting as per Eurostat and IMF requirement except for geographical breakdown

- for most instruments and resident sectors data sources are available on a quarterly basis. Estimates based on annual reported stocks and reported quarterly transactions for the remaining instruments (for a portion of FDI equity and trade credits) and sectors seems to be fine

- methodological note on estimation methods for quarterly IIP

- in medium term it should be considered to collect information on counterpart country and currency and for portfolio investment also counterpart sector. For resident sector it could be considered to have a more extended sector breakdown since this will be a future requirement by Eurostat/ECB.

- it should strongly be considered to focus on getting data for the security database already developed by CBBH. In the data a distinction between equity (shares) and investment fund shares should be available.

- If changes are implemented in other statistical systems/areas it should be considered to incorporate data requirements from IIP in these statistical areas

- Should increase focus on reporting and calculation of valuation changes in the existing compilation framework, broken down by exchange rate changes, price changes and other changes in volume since this is part of the quarterly demands by Eurostat/ECB. It helps to ensure quality of the total Balance of Payments and International Investment Position production (stock-flow-stock identity).

-in the long term it should be considered to change the production system from spreadsheet to a data base environment (data warehouse). The recommendations for medium term would increase the amount of data for compilation significantly and this will not be feasible to handle in spreadsheet, especially when including country dimension and quarterly frequency. Vintage control would also be far easier in a data warehouse. New compilation system and warehousing would enable more efficient and automatized reporting of data e.g. to IMF and Eurostat.

- The reporting system should be changed to be more online based, e.g. reporters should be able to send in the reporting in a format which can be loaded directly into the production system. Both in Eurostat, ECB and OECD there are ongoing work on developing common tools for this which can be shared within National Central Banks (NCBs) and National Statistical Institutes (NSIs). CBBH will thereby be able to reallocate more resources for other tasks in the compilation process.

-It should be considered to incorporate the DSD dimensions in the data already at the data collection phase or when data is entered in the compilation system.

- Reporting of information on ultimate controlling parent. The work should build on the conclusions from the joint ESS/ESCB task force on Foreign Direct Investment.

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

Action	Deadline	Responsible person
Sources of QIIP xls. filled	November 2018	CBBH
Matching of IMF requirements and vade mecum reporting requirements	November 2018	CBBH
draft QIIP table	November 2018	CBBH
Extend methodological note on annual IIP, quarterly estimation	November 2018	CBBH
Statistical systems (it)	November 2018	MS

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

EU Twinning Project BA 15 IPA ST 01 17
Component 3: Balance of Payment and IIPs
29 May - 01 June 2018

Activity 3.5: Assessment of the current situation of IIPs**1. Mandatory results and benchmarks for the component**

Mandatory results:

- Quality criteria and quality reporting on balance payments statistics produced by 8th project quarter
- Quarterly international investment position statistics developed by 8th project quarter

Benchmarks:

- Quality criteria of balance of payment defined by 1st project quarter
- Draft quality report for balance of payment developed by 3rd project quarter
- Available data sources for quarterly international investment positions statistics identified by 4th project quarter
- Final quality report for balance of payment developed by 7th project quarter
- Methodological document for quarterly international investment positions statistics developed by 8th project quarter
- Consistency between quarterly and annual IIP performed by 8th project quarter
- First data on quarterly international investment position for selected years published by 8th project quarter

2. Purpose of the activity

- Assessment of current situation of producing annual IIPs in BiH
- Presentation of IMF/EU method for producing quarterly IIPs
- Presentation of European experience in producing quarterly IIPs
- Discussion on relevant data sources

3. Expected output of the activity

- Current status of IIPs assessed
- Knowledge gained on EU best practice and Member State experience in annual and quarterly IIPs
- Possible data source identified
- Input provided to the ToR of next activity

Annex 2. Persons met

Central Bank of Bosnia and Herzegovina (CBBH)

- Amir Hadžiomerađić, Head of Statistics and Publications Department
- Vedran Milisav, Head of BoP statistics section
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