

# **TWINNING CONTRACT**

**BA 12 IB ST 01**

## **Support to the State and Entity Statistical Institutions, phase VI**



## **MISSION REPORT**

**on**

### **Activity 3.1.**

**Assessment on the current situation on Financial Accounts.**

**Review of data sources**

Mission carried out by  
Katja Møller Hjelvang, Statistics Denmark  
Birthe Olsen, Statistics Denmark  
23-27 Feb 2015

Version: Final

Expert contact information

*Katja Møller Hjelvang*  
*Statistics Denmark*  
*Sejrøgade 11*  
*DK-2100 Copenhagen Ø*  
*Denmark*  
*Tel: 00 45 39 17 34 72*  
*Email KMO@dst.dk*

*Birthe Olsen*  
*Statistics Denmark*  
*Sejrøgade 11*  
*DK-2100 Copenhagen Ø*  
*Denmark*  
*Tel: +0045 39 17 30 55*  
*Email BIO@dst.dk*

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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

## 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 first mission to be devoted to assessment of the current situation on financial accounts and review of data sources within Component 3 of the project.

The purposes of the mission were:

- Assessment of the current situation incl. review of the work done so far by CBBH
- Presentation of the requirements in ESA2010 incl. introduction to the tables and IT application (discussion on involvement of IT staff)
- Review of data sources and identification of new ones
- Strengthening of data sources for the Financial Accounts
- Discussing how to implement future sectorization on the FA
- Treatment of missing data
- Meeting with crucial data providers and NA compilers – development of memorandum of understanding – to be discussed
- Plan for data collection

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

The main purpose of the mission was to get an overview of how far along CBBH was in the process for compiling financial accounts.

### Data sources

One of the main purposes of the mission was to look at the different data sources available. In CBBH data for financial institutions are collected. One of the key sessions under the mission was the presentation of the MFI-statistics. This data includes balances for the banking sector, insurance companies, pension funds and most of the remaining financial sectors, which are relevant in Bosnia-Herzegovina. For instance there are no holding companies in Bosnia-Herzegovina. This statistics was based on IMF standards, including comprehensive information about counterparts. It was the consultants' opinion that this statistics would be very useful to use in the compilation of financial accounts. However the data only contains balances, so the flows should be compiled using other sources.

It was discussed that for instance deposits were split into domestic and foreign currency. This information could be used for estimating the revaluations. For revaluation on insurance technical reserves it was agreed that this subject could be treated separately on one of the next missions.

CBBH also has comprehensive data concerning the government sector and for the rest of the world. In the government data among other things there is information about foreign loans. These loans are distributed to other parts of the central government. Therefore it was discussed when to consolidate and how many units there are in central government. Consolidation will depend on how one defines this unit. The CBBH however has very good information about the flows concerning these foreign

loans, so the final decisions about how to define central government, should not give any problems concerning consolidation. For now the consultants agreed with the CBBH that it should be seen as one unit, as the CBBH is already doing.

Furthermore, the use of information on securities and other information compiled by private companies were discussed. Today there is some free information about securities on the internet, but it was agreed that the CBBH should try to contact these private companies to perhaps get the data on a more detailed level. This will be done before the next visit.

It was also mentioned, that in Statistics Denmark data from the Tax authorities are used especially for compiling the household sector. CBBH will look at the possibility of using data from the Tax authority in Bosnia-Herzegovina.

The consultants recommend that CBBH will continue their work on linking these source statistics to the financial accounts.

### **IT-system**

Before the mission CBBH had made some preliminary excel files, which could be used for compiling financial accounts. These files were discussed under the meeting. The files would be great for looking at data and for initial compilation. However, a more automatic system could be an advantage if the compilation is to be done on an annual basis or even in quarters. The excel system previously used in Denmark was discussed. Here the calculations were made in excel and the final adjustment were made in SAS. The consultants from Statistics Denmark prepared a version of their Excel sheet that might be used for inspiration for a new system. They will also prepare a short SAS program at some point, so it will be possible to look at whether it could be a solution in Bosnia-Herzegovina.

The financial accounts have many dimensions that have to be considered when designing a production system:

- Instrument (F.11, F.12 etc. All in all 8 instruments and 24 subsectors)
- Position (asset, liability)
- Sector (S.11, S.121 etc. All in all 6 sectors and 12 subsectors)
- Counterpart (the same as sector)
- Account (opening balance, transactions, revaluations, other changes in volume, closing balance).
- Time

Furthermore, one should consider that the system should be easy to update, especially if it should be run on a quarterly basis.

Today the CBBH only have limited IT resources and no SAS license.

The Danish system can be used as inspiration. In Denmark the financial accounts are now produced in an Oracle based solution, but the Excel/SAS system worked very well for a long period of time.

### **Other issues**

Under the mission some other issues were discussed.

The issue on sectorization was briefly discussed. There was a general agreement that there were some issues on how to classify specific entities. The government sector and the split of industries between households and non-financial companies were discussed. However, there was a broad agreement that it is more important to focus on, what data that are available than which sector to put it in. It can always be moved.

In Denmark a lot of people have vacation houses in Sweden, which should be recorded in the financial accounts as households owning a share of a fictive company abroad. In Bosnia-Herzegovina a lot of people also have a vacation house abroad. In Denmark the Tax authority has some information on these houses, although they are not exhaustive.

In Bosnia-Herzegovina there are a lot of unquoted shares. These should be measured at marked value. This however can be quite difficult at these share are very seldom trade. Therefore in Denmark a system has been developed calculating market value on the basis of quoted shares. It was agreed that this subject should be discussed in detail on the next meeting.

The non-profit institution serving household sector was also discussed. There is very little information about this sector. In Denmark a lot of counterpart information is used to produce this sector. In time the CBBH should look into this sector, but as it is expected that the sector will have very little influence on the financial account, this should not be one of the top priorities.

### 3. Conclusions and recommendations

It is the consultants' opinion that the CBBH is quite far in their effort of compiling financial accounts. It is clear that they have at comprehensive knowledge about the theoretical approaches and already have a lot of good sources.

The CBBH should try to compile some initial financial accounts balance sheets for the general government and other sectors, where data are already available.

The consultants recommend that CBBH looks into the possibility of creating a more automatic system. It is important that the compilers are able to modify this system themselves.

Action	Deadline	Responsible person
Pilot project: compiling a first version of annual financial accounts balances for 2 years for - general government (S.13) - Financial sector (S.12) - Rest of the world (S.2)	September 2015	Ervin Zolic
Looking into the possible sources for securities and other information collected by private companies	September 2015	Ervin Zolic

## Annex 1. Terms of Reference

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

#### Terms of Reference

### Component 3: Financial Accounts

23 – 27 February 2015

CBBH, Sarajevo, Mehmeda Spahic 5, 5<sup>th</sup> floor

#### Activity

3.1 Assessment of the current situation on financial accounts. Review of data sources

#### 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:

- Assessment on the current situation incl. review of the work done so far by CBBH
- Presentation of the requirements in ESA10 incl. introduction to the tables and IT application (discussion on involvement of IT staff)
- Review of data sources and identification of new ones
- Strengthening of data sources for the Financial Accounts
- Discussing how to implement future sectorization on the FA
- Treatment of missing data
- Meetings with crucial data providers and NA compilers – development of memorandum of understanding – to be discussed
- Plan for pilot data collection

**Expected output**

- Current status of Financial Accounts assessed
- Plan for improvement of data sources
- Drafted memorandum of understanding between CBBH and data providers – to be discussed

**List of Participants****MS Experts**

Katja Møller Hjelvang, Statistics Denmark

Birthe Olsen, Statistics Denmark

**Central Bank of Bosnia and Herzegovina (CBBH)**

Ervin Zolić, Head of GFS and FA Unit

Milica Krajišnik, Senior Officer

Amila Delić, Senior Officer

Bojan Klačar, Junior Officer

**Twinning Project Administration**

Søren Leth-Sørensen, RTA

Djemka Šahinpašić, RTA Assistant

Agenda				
<b>Location: Sarajevo, CBBH, Mehmeda Spahe, 5<sup>th</sup> floor</b>				
Time	Day	Place	Event	Purpose / Detail of event
10:00-12:00	Monday, morning		MS experts briefing with the RTA	-To discuss the mission, introduce the experts to each other, discuss previous experience
13:00-15:30	Monday, afternoon		Workshop with BC Experts	-Welcome and Introduction EU requirements Overview over EU regulations applicable for CBBH -Assessment on the current situation incl. review of the work done so far by CBBH -MS experts
8:30-15:30	Tuesday, morning and afternoon		Workshop with BC Experts	-Presentation of the requirements in ESA10 incl. introduction to the tables and IT application (discussion on involvement of IT staff) -Review of data sources and identification of new ones -BC participant and MS experts
8:30-15:30	Wednesday, morning		Workshop with BC Experts	-Strengthening of data sources for the Financial Accounts -Discussing how to implement future sectorization on the FA -Treatment of missing data
	Wednesday, afternoon		Workshop with BC Experts	-Meetings with crucial data providers and NA compilers – development of memorandum of understanding- to be discussed -BC participants and MS experts
8:30-15:30	Thursday, morning		Workshop with BC Experts	-Plan for pilot data collection -Preparation for the next mission (list of activities to be done before the next mission) -BC participants and MS experts
	Thursday, afternoon		Workshop with BC Experts	-MS experts to prepare summary report -MS experts
8:30-13:00	Friday, morning		Meeting with BC Experts	-Summary Report - Presentation of results, Agreement on report. Implications for the next activities (missions) -BC participants and MS experts



## **Annex 2. Persons met**

### **CBBH:**

Amila Delic

Milica Krajisnik

Bojan Klacar

Jelana Haljevac

Ervin Zolic

Amir Hadziomeragic

Snezana Janjic

### **RTA Team:**

Søren Leth-Sørensen

Djemka Sahinbasic