

TWINNING CONTRACT

BA 12 IB ST 01

Support to the State and Entity Statistical Institutions, phase VI



MISSION REPORT

on

Activity 2.3.2.1

Assessment of current situation.

Introducing producer (output) prices in services in BiH

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 |
| RS | Republika Srpska |
| RSIS | Institute for Statistics of Republika Srpska |
| RTA | Resident Twinning Adviser |
| ToR | Terms of Reference |
| SPPI | Producer Price Index for Services |

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 introduce Producer Price Index for Services (SPPI) in BiH within Component 2.3.1 Short-Term Statistics 6-10 October 2014 of the project.

The purposes of the mission were:

- To assess the current situation regarding the implementation of SPPI in BiH.

The consultants 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 or Statistics Denmark and Statistics Croatia.

2. Assessment and results

The list of activities defined in the ToR for the first mission includes:

1. Assessment on the current situation
2. Overview of EU regulations in this area
3. Presentation of the Croatian and Danish experiences
4. Analysis of legal and practical possibilities for data collection on producer (output) prices in services. Evaluation of the existing data.
5. Selection of service activities that will be covered through Project
6. Determination of sample frame for SPPI pilot surveys, by using Statistical Business Register (SBR)
7. Preparation of general Activity Plan for development of SPPI statistics
8. Discussion on draft of questionnaires for pilot surveys prepared by BHAS

During the first mission the following output have been achieved:

- EU regulations, Croatian and Danish experiences were presented
- Possibilities for data collection was discussed
- Decision on services selected for pilot surveys was made
- Sample frame for SPPI pilot surveys was determined
- General Activity Plan for SPPI surveys was agreed
- Draft questionnaires for pilot surveys were discussed in detail

3. Conclusions and recommendations

There are three statistical institutions within Bosnia and Herzegovina that are responsible for producing statistics. All three institutions will be engaged in producing SPPIs. There is currently no existing production of SPPI and all work on this area will start from the very beginning. For this project the legal basis for conducting pilot surveys in the Statistical Annual Working Plan for 2015 will be utilized. Most of the methods and solutions applied will be depending on available resources.

Production of SPPI in BiH should follow the regulation and guidelines as stated in EU regulation no. 1893/2006 under Council regulation No. 1165/98 concerning short-term statistics and Commission Regulation (EC) No 1503/2006 regarding definitions of variables, list of variables and frequency of data collection. Furthermore, methodologies should be adopted, as much as possible, in line with the Methodological Guide for Developing Producer Price Indices for Services (OECD 2005) and Eurostat-OECD Methodological Guide for Developing PPI for Services (provisional draft, 19 September 2014) or any future finalized version hereof.¹

During the mission, Danish and Croatian experiences with SPPIs production were presented. Although different approaches applied in each country, the overall goal is to produce comparable SPPIs in line with the European regulation. It is an advantage to draw on Danish and Croatian experiences, to be in a position to choose more appropriate approaches suitable for the local situation and circumstances.

Since production of SPPIs in BiH will start from the very beginning, there is no possibility to evaluate existing data. Practical possibilities for collecting available data including service prices and weights will be examined during the initial research phase, in close cooperation with enterprises and associations. Feedback from the field will then be the basis for future decisions going forward. This implies to the structure and content of the questionnaires and methods for calculation, particularly in relation to how the weights should be applied.

The following six service sectors have been selected to develop SPPIs. Those are sectors for which BiH already collects turnover data or plan to start collection in near future:

| Nace Rev. 2 | Title |
|--------------------|--|
| 49.41 | Freight transport by road |
| 51.10 | Passenger air transport |
| 52.10 | Warehousing and storage |
| 52.24 | Cargo handling |
| 53.10 | Postal activities under universal service obligation |
| 61 | Telecommunications |

The classification of service sectors will follow the NACE Rev. 2 Statistical classification of economic activities in the European Community.²

The BiH Statistical Business Register (SBR) should be used as the sample frame for collecting prices of services on a quarterly basis. Additional information from the Structural Business Statistics (SBS) and the Short-term Business Statistics (STS) will be applied.

The breakdown of services should be based on groups of Statistical Classification of Products by Activities (CPA) in the European community, 2008 version. The sample should be representative on BiH level and also on entity level. Selection of statistical units should be done using top-down method by turnover within each sector. In some sectors, census will be applied due to limited number of enterprises. In case of Telecommunication, an administrative data source (Communication Regulatory Agency of BiH) will be considered as a possible reporting unit.

¹ <http://www.oecd.org/std/prices-ppp/producerpriceindicesforservices.htm>

² http://epp.eurostat.ec.europa.eu/cache/ITY_OFFPUB/KS-RA-07-015/EN/KS-RA-07-015-EN.PDF

Methods for choosing the units to be covered in SPPIs were presented to Sample experts in order to clarify practical challenges for sampling. Sample experts will be at disposal during the project if needed. Pilot surveys for the selected sectors will be carried out during the all four quarters of 2015, in order to obtain data for the base year. The SPPIs will be produced with the intention of being used as deflators in the National Accounts for calculating value data.

A General Activity Plan was prepared and preliminary dates and activities for the whole project were determined. The initial proposal for the whole project was discussed without any major changes necessary. The second mission is planned to take place end of January/start of February 2015.

There was a discussion on draft questionnaires for the three selected sectors: Cargo handling, Warehousing and Freight transport by road. The final contents and structure of questionnaires will depend on the feedback from the field during the initial research phase and additional recommendations from IPA experts will be considered. The questionnaires for the remaining sectors: Telecommunications, Postal activities under universal service obligation and Passenger air transport, will be drafted in accordance with the action plan below.

What to do before the next mission for the BC Counterpart

| Action | Deadline | Responsible person |
|--|---------------------|--------------------|
| Analyse data from SBR (per 30/09/2014), SBS for 2013 and most recent STS data; checking the units of interest | End of October 2014 | BHAS, FIS and RSIS |
| Study methodological documentation in detail to extend knowledge and understanding of SPPIs | Ongoing process | BHAS, FIS and RSIS |
| Draft questionnaires for remaining sectors (Telecommunication, Postal services and Air passenger transport) | End of October 2014 | BHAS, FIS and RSIS |
| Test draft questionnaires in the field by contacting and visiting relevant companies and associations | End of January 2015 | BHAS, FIS and RSIS |
| During the work in the field check the main activity of businesses and make feedback to SBR | End of January 2015 | BHAS, FIS and RSIS |
| Collect both information about availability of prices and turnover, to address further decisions about weighting possibilities | End of January 2015 | BHAS, FIS and RSIS |
| Optimize questionnaires before final pilot survey and prepare short report with feedback from the field | End of January 2015 | BHAS, FIS and RSIS |

What to do before the next mission for the IPA experts

| Action | Deadline | Responsible person |
|--|-----------------------|--|
| Prepare presentation of IT solutions for data collection, calculation and production of SPPIs | Before second mission | Anka Javor (HR), Rasmus Anker Kristiansen (DK) |
| Prepare short description of methods used for calculation and production of the six selected service sectors | Before second mission | Anka Javor (HR), Rasmus Anker Kristiansen (DK) |

Annex 1. Terms of Reference

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

Terms of Reference

Component: 2.3.1 Short-Term Statistics 6-10 October 2014

Activity

2.3.2.1 Assessment of current situation. Introducing producer (output) prices in services in BiH

Benchmarks

- Plan for development of SPPI for selected services done by 2nd project quarter
- Draft questionnaires and supporting documentation prepared by 2nd project quarter
- Pilot surveys for SPPI conducted by 3rd project quarter
- First results analyzed and questionnaires redesigned by 6th project quarter
- Methodological document developed by 8th project quarter

Purpose of activity

The expected activities are:

- Assessment on the current situation
- Overview of EU regulations in this area
- Presentation of the Croatian and Danish experiences
- Analysis of legal and practical possibilities for data collection on producer (output) prices in services. Evaluation of the existing data.
- Selection of service activities that will be covered through Project
- Determination of sample frame for SPPI pilot surveys, by using Statistical Business Register (SBR)
- Preparation of general Activity Plan for development of SPPI statistics
- Discussion on draft of questionnaires for pilot surveys prepared by BHAS

Expected output

- EU regulations, Croatian and Danish experiences presented
- Possibilities for data collection discussed
- Decision on services selected for pilot surveys made
- Sample frame for SPPI pilot surveys determined
- General Activity Plan for SPPI surveys agreed
- Draft questionnaires for pilot surveys adopted

Annex 2. Persons met

Experts

Rasmus Anker Kristiansen, Statistics Denmark

Anka Javor, Croatian Bureau of Statistics

Agency for Statistics of BiH

Alen Bajramović, Head of Department for Services Statistics

Lejla Krehić, Junior officer in Prices Department

Aida Semić, SIDA volunteer

Aida Zukanović, Junior officer in Department for Sample design and Methodology

Institute for Statistics of Federation of BiH (FIS)

Sanja Ambrožić, Head of Department for Services Statistics and External Trade

Ademira Velićanin, Junior Officer for Retail and Whole Trade Statistics

Anesa Mirica, Senior Officer for Sample design and Methodology

Institute for Statistics of Republika Srpska (RSIS)

Jelena Glamočika, Head of Department for Services Statistics

Sanela Vasiljević, Senior Officer for Retail Trade Statistics

Twinning Project Administration

Søren Leth-Sørensen, RTA

Djemka Sahinpašić, RTA Assistant

Annex 3. Activity plan for the whole project

| No. | MAIN ACTIVITY | COMPONENTS OF MAIN ACTIVITY* | DATE OF REALIZATION** | PARTICIPANTS | RESPONSIBLE INSTITUTION | BENCHMARK | NOTE |
|-----|-------------------------------------|---|-------------------------------------|--|-------------------------|--|--|
| 1 | COVERAGE | 1. Selection of services that will be covered through this project 2. Definition of the target population - observation units 3. Sample frame for SPPI pilot surveys determined | October 2014 | BC experts, Sample experts, IPA experts | BHAS FIS RSIS | | *Activities proposed in General Plan could be changed in Detail Plan **Proposed dates are provisional |
| 2 | SAMPLE DESIGN | 1. Determination of the criteria for sample design 2. Sample design 3. Sample selection | Second project quarter (March 2015) | BC experts, Sample experts, IPA experts | BHAS FIS RSIS | Plan for development of SPPI for selected services | |
| 3 | ACTIVITY PLAN WITH TIMETABLE | 1. General Activity Plan for SPPI surveys agreed 2. Detailed Activity plan including Timetable with deadlines for pilot surveys (data collection, entering, processing, etc.) | Second project quarter (March 2015) | BC experts, Sample experts, IT experts, IPA experts | BHAS FIS RSIS | Plan for development of SPPI for selected services | |
| 4 | QUESTIONNAIRES FOR PILOT SURVEYS | 1. Preparation of draft version of questionnaires 2. Review and proposed changes of the questionnaires 3. Final version adopted 4. Instructions for filling in the questionnaires prepared | Second project quarter (March 2015) | BC experts, IPA experts | BHAS FIS RSIS | Preparation of draft questionnaires and supporting documents | |
| 5 | DATA COLLECTION | Timetable with deadlines for conducting Pilot surveys on SPPI (delivery of questionnaires to reporting units, data collection process, data entry, etc.) | Third project quarter (June 2015) | BC experts, Sample experts, IT experts, IPA experts | BHAS FIS RSIS | Pilot surveys for SPPI conducted | |
| 6 | DATA EDITING AND PROCESSING | 1. List of controls for micro data checking 2. Data editing 3. Non response treatment 4. Imputation methods 5. Outlier checking and treatment | Third mission | BC experts, Sample experts, IT experts, IPA experts | BHAS FIS RSIS | First results | |
| 7 | CALCULATION AND ANALYSIS OF RESULTS | 1. Determination of the method for calculation of SPPI indices 2. Procedures for calculation of indices 3. Quality indicators | Until the end of 2015 | BC experts, Sample experts, IT experts, IPA experts | BHAS FIS RSIS | Defining methods and procedures for calculation of indices | |
| 8 | IT SUPPORT | Development of IT application (IT WG, data entry module, list of formal and logical controls, etc.) | From second mission | BC experts, Sample experts, IT experts | BHAS FIS RSIS | Development of IT application for calculating indices | |
| 9 | REVISION POLICY | 1. Revision of input data and output results 2. Data confidentiality treatment | Fourth mission | BC experts, Sample experts, IT experts, IPA experts | BHAS FIS RSIS | Agreement on revision policy and treatment of data confidentiality | |
| 10 | PREPARATION OF REGULAR SPPI SURVEYS | 1. Implementation of Pilot surveys in 2015, quarterly 2. Preparation of data for base year (2015) for selected services 3. Redesign quarterly SPPI surveys for 2016 - Amended methods for the regular surveys on SPPI, based on the experiences from the pilot surveys - Preparation of final questionnaires for a regular production - Preparation of output tables (publication forms, transmission formats, etc.) - Plan for a regular surveys | Fourth mission | BC experts, Sample experts, IT experts, IPA experts | BHAS FIS RSIS | Preparation and plan for implementation of regular SPPI surveys for selected sectors | |
| 11 | SPPI METHODOLOGY | 1. Methodology developed in accordance with EU standards 2. Preparation of Quality report for regular survey | From second to fifth mission | BC experts, Sample experts, IT experts, IPA experts | BHAS FIS RSIS | Define final methodology in accordance with EU standards | |