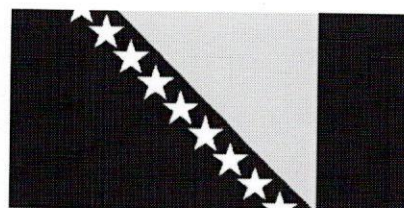


TWINNING CONTRACT

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 3.7: Data sources, production and balancing of quarterly IIPs II

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
RSIS	Institute for Statistics of Republika Srpska
RTA	Resident Twinning Adviser
ToR	Terms of Reference
CPIS	Coordinated Portfolio Investment Survey
UCP	Ultimate Controlling Parent
SDMX	Statistical Data and Metadata Exchange
DSD	Data Structure Definition

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 third mission to be devoted to Quarterly International Investment Position (IIP) within Component 3 of the project.

The purposes of the mission were:

- **Review of data sources**
- **Draft quarterly IIP table**
- **Methodology document**
- **Addressing additional questions emerged in the previous missions**

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, INSEE, Statistics Finland and Croatian Bureau of Statistics.

2. Assessment and results

Methodology document:

Following the action point from activity 3.6 to produce a methodology document for the quarterly IIP, the CBBH presented an updated methodology document on the quarterly IIP statistic, describing the sources and methods used for this statistic.

The methodology document had been updated after the previous mission with recommended changes. Additions on estimation methods and revision practice as well as clarification on certain sources had been made.

Draft of Quarterly IIP table:

As a follow up on the action point from activity 3.6 CBBH presented their work on the QIIP table, where the Eurostat requirements were identified and added in the extent what was possible with the current data collection. Maturity and sectoral breakdowns for some items were added after the previous mission.

CBBH noted that the coverage of portfolio investment is incomplete due to the lack of security data for their security database (which has been built, but no data has been reported).

Review of data sources:

MS and CBBH experts have reviewed the following data sources:

- Quarterly and annual FDI (MFI, other financial corporations and Non-financial enterprises)
- Annual trade credit for import/exports (payable/receivable)

CBBH presented the additions on the quarterly and annual FDI surveys. After the previous mission questions on maturity and counterpart sector information and also financial derivatives had been added to the quarterly FDI survey form. Also the instructions on reporting gains/losses on FDI investment income were updated in the current form.

Addressing additional questions emerged in the previous missions:

CBBH shared a more detail update on the progress of obtaining data for their securities database; the next steps to get data for the database are clear. The data is expected to be received from custodians after getting letter from commissions.

CBBH also shared their idea to extend the survey on trade credits also to quarterly frequency.

Furthermore, CBBH brought up the question on UCP information using data respondents provided to commercial banks when opening account to collect UCP data. MS shared their experiences with collecting UCP information on their annual FDI survey and compiling investment fund data.

3. Conclusions and recommendations

It was concluded that

- Sources for production of quarterly International Investment Position (IIP) according to both Eurostat and IMF requirements are in place. For obtaining the missing items, namely distinction between Money-market funds and Investment funds, and certain missing securities data, work is in progress. (In the meantime estimates might be needed if the progress is not adequate.)

- CBBH has updated their reporting forms to include maturity and counterpart sector breakdowns and also financial derivatives information.

- CBBH has done a successful SDMX conversion on ITSS and will investigate if the tool can be used for sending IIP data.

- CBBH presented a potential source for obtaining UCP information. Along with the data for voting power, and share of ownership the source will provide a definite information for UCP.

- MS recommended increasing the frequency of the trade credits survey to quarterly to get more detailed quarterly data. This can be done using a smaller sample to supplement the annual data. CBBH already has preliminary plans in place for launching such a survey.

- MS added minor proposals to the methodology document on reorganizing the portfolio investments section and elaborating the information on coverage gaps. Also a note on the lack of geographical breakdown was seen as appropriate.

- MS suggested the IMF's CPIS dataset as a possible source for comparison and geographical breakdown estimation purposes.

- MS recommend CBBH to continue the ongoing work to get data for the securities database

- MS restated the previous mission's recommendations for the *medium term* regarding the data base environment production system and incorporating data requirements from IIP in other statistical areas. More advanced IT environment is a prerequisite for producing IIP country breakdown. Better IT environment will also allow producing more automatized full BOP-IIP reconciliation (stock-flow-stock identity).

MS encouraged to continue examining the possibilities of using tools such as R further in the compilation process.

- MS and CBBH recognize the need to strengthen vital ICT resources to achieve the aforementioned *medium term* goals

Action	Deadline	Responsible person
Distinction between Money market funds (S123) and Investment funds (S124)		CBBH/MFS
Finalize the methodological note on quarterly IIP with MS input.		CBBH
Planning of the quarterly survey		CBBH

for trade credits		
Planning a draft document describing the production process of quarterly IIP		CBBH

CBBH MS expert
 Dabir. J. M. expert

MS expert
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RTA
 K. C.

Annex 1. Terms of Reference**Terms of Reference****EU Twinning Project BA 15 IPA ST 01 17****Component 3: Balance of Payment and IIPs****29.01.2019. – 01.02.2019.****Activity 3.7: Data sources, production and balancing of quarterly IIPs II****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

- Follow up from the previous mission
 - Distinction between Money market funds (S123) and Investment funds (S124)
 - Adjust forms used by CBBH for FDI survey with respect to:
 - maturity (debt instruments) and instrument breakdown (Financial derivatives).
 - counterpart sector related to interbank relations within other investment
 - Finalize the methodological note on quarterly IIP with MS input.

- Further work on:
- Review of collected data
- Strengthening of data sources
- Treatment of missing data
- Meetings with crucial data providers as needed
- Development of quarterly IIPs incl. balancing annual and quarterly IIPs
- Development of methodology document

3. Expected output of the activity

- Data reviewed
- Draft quarterly IIPs developed
- Methodology document drafted
- Input provided to the ToR of next activity

4. Participants

Central Bank of Bosnia and Herzegovina (CBBH)

- Amir Hadžiomerađić, Head of Statistics and Publications Department
- Vedran Milisav, Head of BoP statistics section
- Suzana Kozinović Ličanin, BoP expert
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Twinning Project Administration

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