

TWINNING CONTRACT

Support to the State and Entity Statistical Institutions, phase V

Bosnia-Herzegovina



MISSION REPORT

on

Statistical Business Register

Component no 1.1.4,

Mission carried out by
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		 STATISTICS DENMARK

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List of Abbreviations

BH	Bosnia-Herzegovina
BHAS	Agency for Statistics of Bosnia and Herzegovina
DB	District of Brčko
DST	Statistics Denmark
FIS	Institute for Statistics of Federation of Bosnia and Herzegovina
FBiH	Federation of Bosnia and Herzegovina
ITA	Indirect Tax Authority
KAU	Kind of Activity Unit
LKAU	Local Kind of Activity Unit
RS	Republica Srpska
RSIS	Institute for Statistics of Republika Srpska
SBR	Statistical Business Register
ToR	Terms of Reference
VAT	Value Added Tax

Executive Summary

The purpose with the mission was to have a workshop with users of the SBR from FIS and BHAS, finalise the 5-year plan, and to prepare for a training course in SBR.

User workshop

A workshop was held with users of SBR from BHAS and FIS and they provided input and requests to the development of SBR.

- General issues:
 - Quality especially on activity codes
 - Clear processes and procedures in the cooperation between SBR and statistical departments
 - Huge delays in stratification variables
 - Historical data, e.g. following units over time in case of mergers, acquisitions and other changes
- A couple of issues that were mentioned by only a few or one participant could be of general interest:
 - Introduction of an alert to statistics in case of case in (important) unit included in their sample
 - Share some responsibility on e.g. activity code with experts in specific statistics, in particular industrial statistics

5-year plan

The 5-year plan was discussed. In the view of the consultants the plan is ambitious – not least in the sense that the majority of tasks is supposed to be done in the first year of the 5 year period.

For the future work with the plan, it is recommended that the prioritized tasks for the upcoming year is described in more detail taking into account questions like resource requirements, responsibility, risks to success, time dependency, value for users and/or SBR, etc.

The participants from RSIS, BHAS, FIS and the consultants agreed on the 5-year plan that is an appendix to this report. The final 5-year SBR development plan is to be approved by all three directors of the BiH Statistical Institutes.

Training course

The structure and content of a training course in SBR was discussed based on the prepared materials from BHAS, FIS and RSIS.

First draft material for some areas were produced and presented and an evaluation of it done. Some important procedures need to be clarified before the training course can be executed. General guidelines on presentation technique were presented.

The aim is to execute the training before summer 2013 and repeat it annually.

Quality issues that were discussed

LKAUs

- Current LU in the register corresponds in the majority of cases to the LKAU

- Establish a set of rules for a practical approach to LKAUs to avoid the multitude of insignificant local legal units from Tax sources

Statistical information

- Include statistical information in the register
- Inform user on the differences and – together with the methodology and sample unit – give guidelines on the uses

Missing financial statements

- Introduce a limit of significance:
- Active units with insignificant activity should not be included in surveys
- Define limits, e.g. no employees and turnover less than half a man year (yearly salary) depending on activity code (a quarter of a man year for newly established enterprises) – data from financial statements
- If there is no information on the unit make as many of them inactive or below a limit of significance

Following units over time

- Important to statistics that try to follow enterprise over time to maintain consistency in reporting
- Examine possibility to cooperate with statistics on this, so that statistics use the SBR as repository for the links between units that they create anyway

Processes and procedures

- Describe processes and procedures in the cooperation between SBR and statistical divisions

Work to be done until next mission

FIS, RSIS and BHAS should inform the Danish hosts of the upcoming study visit on special topics to be included in the study visit.

The next mission in BiH will be on cooperation with SBS. An evaluation of the recent SBS survey and suggestions for improvement should be considered.

Next mission

A study visit will be held in Copenhagen on 6-8 November 2012.

The date for the next mission: 12 November 2012. The topics to be included in the mission are cooperation, the evaluation of the recent SBS and quality methods and improvements with a view on a quality report.

<h3>1. General comments</h3>

This mission report was prepared within the Twinning Project „Support to the State and Entity Statistical Institutions, phase V”. It was the fourth mission within subcomponent 1.1 on Statistical Business Register (SBR) of the project. This mission was aimed at

The concrete objectives of the mission were:

- 5-year SBR development plan accepted by all mission participants and submitted to the top management for review and approval
- Trainers selected from NSI for the training of staff from statistical units
- Training program defined and NSI SBR trainers trained by experts
- Staff in Statistical Units informed about possibilities and ways to use the SBR and firm understanding of the central role of the SBR and how surveys provide essential feedback for SBR
- Mission report – summarized and detailed version completed
- General and detailed activity plans and draft ToR for the next mission prepared and agreed by all partners (BHAS-BD/ FIS/RSIS participants, experts and RTA)

Both consultants would like to express their thanks to all officials and individuals met for the kind support and valuable information which we received during the stay in BH, and which highly facilitated the work of the consultants.

The 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, Statistics Denmark and Statistics Lithuania.

2. Results

2.1 Introduction

The purpose with the mission was to have a workshop with users of the SBR from FIS and BHAS, finalise the 5-year plan, and to prepare for a training course in SBR.

2.2 User input

A workshop was held with a number of users of the SBR from BHAS and FIS who gave input on their needs and requests from the SBR.

The general issues raised were:

- Quality especially on activity codes
- Clear processes and procedures in the cooperation between SBR and statistical departments
- Huge delays in stratification variables
- Historical data, e.g. following units over time in case of mergers, acquisitions and other changes

A couple of issues that were mentioned by only a few or one participant could be of general interest:

- Introduction of an alert to statistics in case of case in (important) unit included in their sample
- Share some responsibility on e.g. activity code with experts in specific statistics, in particular industrial statistics

The input were taken noted of and used in the prioritization of tasks in the 5-year plan and in planning the training course.

2.3 Five-year development plan

The 5-year plan was discussed intensely. In the view of the consultants the plan is ambitious – not least in the sense that the majority of tasks are supposed to be done in the first year of the 5 year period.

Priorities were discussed and defined based on both the views of SBR staff and the input from the SBR users through the workshops held with users from BHAS, FIS and RSIS.

In the view of the consultants, it is important that the focus in 2013 should be on improving cooperation between SBR and statistical departments and laying down the rules and processes related to the SBR; to solve the most pressing quality issues; and introduce quality improving administrative sources to the register. The priority of tasks in 2013 from the SBR reflects a similar priority.

For the future work with the plan, it is recommended that the prioritised tasks for the upcoming year is described in more detail taking into account questions like resource requirements, responsibility, risks to success, time dependency, value for users and/or SBR, etc. An example of such a detailed description is provided in the annexes of this report.

The participants from RSIS, BHAS, FIS and the consultants agreed on the 5-year plan that is an annex to this report. The final development plan will be presented for approval of the directors of the three institutes.

Two important comments to the plan will be highlighted here:

- Some activities are depending on the implementation of The Single System of Registration, Control and Collection of Social Contributions and the Agreement with the Indirect Taxation Authority (ITA). The implementation of which is outside the direct influence of the SBR teams in the entities and agency.
- It is the opinion of the consultant that no publication nor delivery of data to outside parties should be done directly from the SBR

It should also be noted that the coming project within IPA 2012-2013 currently being developed will influence priorities, especially if it starts in 2013. The issues within this project that relates to the SBR could advantageously start in 2014.

2.4 Training course

The structure and content of a training course in SBR was discussed based on the prepared materials from BHAS, FIS and RSIS. The important issues to convey to the users of SBR were identified like the issues important to the users were specified.

In designing the training course, it is important to focus on the main messages - what must the participants bring back home and remember. The training course consists of three elements: the presentations (power point slide), the verbal presentation and written materials. The slides should highlight the message and the main points and conclusions but explanations and details should be in the verbal presentation and the written material.

First draft material for some areas was produced by SBR staff during the mission and presented to the group and was subject to an evaluation and discussion on good presentation techniques.

It was apparent that some important procedures need to be clarified internally in the SBR teams and with statistics before the training course can be executed. The aim is to execute the training before summer 2013 and repeat it annually.

Some general guidelines for the presentations were given

- Avoid too much text on presentations
- Make the participants work – either by taking notes or give input
- Shift between presentation techniques and between passive listening and active discussion or exercises and breaks every 20-30 minutes to keep participant awake
- Uniform template for all presentations
- Don't press too much into one presentation – make it two or three sessions instead
- Use graphics and colours
- Be sure of your own procedure and processes
- Move around

2.5 Quality improvements

In the course of the mission some specific issues were discussed related primarily to the quality of the SBR.

2.5.1 LKAU

The local units (LU) in the SBR and the local kind-of-activity units from the Tax administration were extensively discussed. The units in the Tax administration are based on a legal requirement to register activities in order to get legal permission to perform that type of activity. That means that even very small enterprises need to register several activities at a given address. The level of registration is much too detailed for statistical purposes.

The SBR aggregates the Tax units to create the LU at the level of one activity at one address. In most cases this LU corresponds to a statistical local kind-of-activity unit (LKAU). The only exception is when an enterprise actually does have more than one production site at one address. It is not apparent to what extent this is a widespread practice within BiH.

In many EU member states the LU as defined in BiH is the best approximation to the LKAU and in Denmark only very few LKAUs from the same enterprise exist at the same address.

In order to avoid a multitude of LKAUs a set of rules should be established governing the statistical definition of a LKAU. One basic rule is that two LKAUs cannot share employees, i.e. if the staff cannot uniquely be allocated to one of more LKAUs then there is only one LKAU. In Statistics Denmark, as a rule of thumb for an additional LKAU to be defined at an address, the activity must be significant defined as a turnover above €40,000 (corresponds to half a year average wages) and above 10% of turnover at the site. In BiH a rule could be that unless an enterprise operates on different addresses, it has to employ more than 10 or 20 persons to even consider a second LKAU.

Determining activity code for the LU constructed based on the administrative LKAU requires some work since no information on the importance of each activity is available. If Tax could provide data indicating the more important activity, it could simplify the process. Otherwise the task of the SBR will be to identify the activity that all the reported activity points to. For many LU the activity of the enterprise should be helpful in this work.

The use of secondary activity codes was discussed. It is recommended to limit the use of secondary activity codes and impose practical rules governing this. Introduction of a secondary activity code should not take place unless the product of the activity (completely or partly) is sold at the market and not only supporting the main activity of the enterprise. Also it should be statistically significant, e.g. above a certain turnover threshold. There should be statistical information supporting the addition of a secondary activity.

2.5.2 Statistical information in the SBR

- Include statistical information in the register
- Inform user on the differences and – together with the methodology and sample unit – give guidelines on the uses
- Include statistical information in the register
- Even though it doesn't cover all unit many of the larger ones are covered
- Inform user on the differences and – together with methodology – give guidelines on the uses
- The register can hold the same information, e.g. employment with indication of source

2.5.3 Missing financial statements for a number of enterprises

A problem was raised as a not insignificant number of enterprises were not reporting financial statements to the concerned agencies under the Ministry of Finance. The financial statements are currently the best (and only) source of employment and turnover.

The problem can basically be split in two:

- Enterprises that are not legally obliged to submit financial statements
- Enterprises that are obliged to submit financial statements but don't

The first group cannot be covered using the source. The absence from the source gives no information on whether the enterprise is active or not. Eventually data from indirect taxation and Pension and Insurance funds will provide more exact information.

The second group can basically be divided into three groups:

- Those that have not reported at all anytime
- Those that have reported consistently and have stopped
- Those that report infrequently on and off

If lack of reporting had any legal consequences like that the enterprise is closed by court order, it could be assumed that all these enterprises have ceased activity. This is however not the case. By and large any problems with these units should be solved when the planned new administrative sources are implemented.

Until this happens, the SBR teams and statistical divisions need to define rules to deal with those. There are not resources enough in the register to manually check all the units so a pragmatic solution must be agreed upon to deal with the units.

Since there is reluctance against declaring all or most of the units inactive, it is suggested to define a limit under which enterprises are considered statistical insignificant – it can be called a threshold of significance. These enterprises might be active but the economic activity is so small that including them doesn't change statistics significantly. The limit could be defined as enterprises with no or very little employment, e.g. less than half a full year equivalent and very small turnover, e.g. less than half the average yearly turnover per employee within the industry and no significant capital holdings.

With a threshold like this, it will be possible to exclude units from surveys without making them inactive.

Then the units that haven't reported any financial statement ever should be considered below the limit of significance unless other information is available through any statistics.

Units that have reported consistently but have stopped reporting could either be contacted (if large and important enough), assumed insignificant or given a year where the last known information is carried on. If the enterprise still doesn't report and no contact had been made it is marked as below the significance threshold. The enterprises reporting on and off can be treated the same way.

2.5.4 Optimal time for extraction and frozen frames

The BiH SBR works without double historism meaning that changes in the register is only registered with the date it is changed in the register (register-date) but not when the real change took place (date of validity).

This means that if a sample is needed based on employment of the latest full calendar year, it is necessary to know the best time for extracting the information. The best time will be when the highest number of enterprise have been registered with new employment figures for the reference year compared to the delay.

If a single optimal point in time covering all important information can be determined it should be the time to create a final frozen frame. If there are multiple points, multiple frozen frames can be created.

In general the optimal time for final frozen frame might be after the SBS survey has been registered and consequent changes have been done in the survey side and the SBR. A preliminary frozen version could be considered established just before extraction for the SBS sample.

2.5.5 Entrepreneurs without activity code

A high number of entrepreneurs exists without activity code.

Since most of these enterprises are relatively small, the recommendation is by default to assume them statistical inactive, ie. not without activity but with activity below a threshold under which they are considered insignificant in statistical connection.

To gather more information, the enterprises can be stratified by whatever information might be available and contact made to a number of representative enterprises within each segment and classify them or make them statistical insignificant.

If new information becomes available then the status can be changed again.

2.5.6 Following units over time

The SBR does not try to monitor shifts in enterprise units over time except in case of merger and acquisitions. The SBR is able to register shifts and links between units across time.

It is important to statistics to follow enterprise over time to maintain consistency in reporting. They therefore use resources to monitor this and to register this in their own systems or register.

It is recommended that the SBR examines the possibility to cooperate with statistics on this, so that statistics use the SBR as repository for the links between units that they create anyway. In this way the information is made available for all and important information added to the register.

2.5.7 Processes and procedures

A pressing need for description of the processes and procedures in the cooperation between SBR and the statistical divisions as well as internally in the SBR was identified.

It is important to know how changes from statistical surveys are incorporated into the SBR and what role the survey side of the register has in this.

In general, the users need to know how they get in touch with the SBR for any specific task and what is done within the SBR unit to solve the task.

2.6 Upcoming missions

A study visit will be held in Copenhagen on 6-8 November 2012.

The date for the next mission: 12 November 2012. The topics to be included in the mission are cooperation, the evaluation of the recent SBS and quality methods and improvements with a view on a quality report.

FIS, RSIS and BHAS should inform the Danish hosts of the upcoming study visit on special topics to be included in the study visit.

The next mission in BiH will be on cooperation with SBS. An evaluation of the recent SBS survey and suggestions for improvement should be considered.

Annex 1. Terms of Reference

Statistical Business Register
8th to 12th of October 2012
Terms of Reference - Activity 1.1.4
EU Twinning Project BA 08-IB-FI-03
BHAS Ferhadija 11, Sarajevo

- | | |
|-------------|--|
| Component 1 | 1. Business Statistics
<u>1.1. Statistical Business Register</u>
1.2. Structural Business Statistics
1.3. Construction Statistics
1.4. Retail Trade Statistics
1.5. Tourism Statistics |
| Component 2 | 2. Extended Household Budget Survey |
| Component 3 | 3. Institutional Capacity
3.1. Long term strategy
3.2. Metadata and classification system development
3.3. Promotion of dissemination |

Benchmarks

- A) Special survey for improvement of SBR (local units & activity code) conducted by 3rd project quarter – *partly achieved*
- B) SBR 5-years development plan prepared by 4th project quarter - *partly achieved*
- C) Plan for regular annual submission of VAT data from tax authorities according to agreement – in force by 4th project quarter
- D) Plan for harmonization of activities between SBR and business statistics (incl sampling methodology) by 8th project quarter
- E) SBR used in regular surveys on state level by 8th project quarter

1.1.4. Activity

Business Register Cooperation

Subject:

Training in the use of the Business Register

The expected activities are:

- Workshop with SBR users of FIS and BHAS on the SBR plan (a similar workshop was held with SBR users of RSIS)
- Agreement on final 5-year SBR plan
- Discussion and finalisation of prepared training material for the training course of internal users (Staff from statistical unit to use SBR)
- Training course in the strategies, policies and possibilities for the use and maintenance of the business register (Staff from statistical unit to use SBR)
- Training course about the relation between SBR and other statistical surveys (Staff from statistical unit to use SBR)
- Preparation of the list of activities to be completed before the next mission (1.1.5.)
- Preparation of the list of topics for the next mission

Expected output

- 5-year SBR development plan accepted by all mission participants and submitted to the top management for review and approval
- Trainers selected from NSI for the training of staff from statistical units
- Training program defined and NSI SBR trainers trained by experts
- Staff in Statistical Units informed about possibilities and ways to use the SBR and firm understanding of the central role of the SBR and how surveys provide essential feedback for SBR

- Mission report – summarized and detailed version completed
- General and detailed activity plans and draft ToR for the next mission prepared and agreed by all partners (BHAS-BD/ FIS/RSIS participants, experts and RTA)

List of Participants

Will follow

Agenda		
Time	Event	Purpose / details
Monday 11h	Welcome	Introduction by experts on the EU Twinning Project about 4 th Mission, Component 1. Business Statistics; Subcomponent 1.1. Statistical Business Register. Agreement about the program of the week. (BiH participants and Experts)
	Final 5-year SBR plan	5-year SBR development plan accepted by all mission participants and submitted to the top management for review and approval (Participants from RSIS and FIS)
	Discussion	
	The training material	Analysis of the prepared material for training course in the strategies, policies and possibilities for the use and maintenance of the business register and about the relation between SBR and other statistical surveys. (BiH participants and Experts)
	Discussion	
	Training course	The training SBR staff as trainers (Experts)
	Discussion	
	Training course	The training SBR staff as trainers (Experts)
	Discussions	
	Training course	The training SBR staff as trainers (Experts and BiH participants)
	Discussion	
	Next mission-Which topics? What to do for the next mission?	Agreement on next mission details. Possible suggestions. (BiH participants and Experts)
	Mission report	Summarized and detailed version completed (Experts)

Annex 2. Persons met**BHAS:**

Dubravka Husić
Mevlija Odošić
Ivana Tavra
Dženita Mustafić
Branislava Cvijetić
Fahir Kanlic
Alen Bajramovic
Edina Koric
Tima Karacic
Sevala Korajcevic

FIS:

Enisa Rastić
Emira Beširević
Adnan Secerbajtarevic
Sejla Sehic
Almira Muraspahic
Ademira Velicanin
Nusreta Imamovic-Kaljanac
Dusanka Mandic
Elvira Ramic

RSIS:

Nataša Teinović

RTA Team:

Bente Dyrberg
Djemka Sahinpasic