

TWINNING CONTRACT

BA 12 IB ST 01

Support to the State and Entity Statistical Institutions, phase VI



MISSION REPORT

on

Activity 3.4. Development of Financial Accounts I

Mission carried out by
Katja Møller Hjelvang, Statistics Denmark
Birthe Moltrup-Nielsen, Statistics Denmark
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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 Moltrup-Nielsen
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 fourth 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:

- Review of full sequence of balances of annual Financial Accounts
- Review of methodology document

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 of the final mission

Before this mission CBBH had sent a methodology report which the consultants and CBBH discussed. Overall the methodology report is very usable with good details. Especially the tables describing each instrument are very good as they describe not only the data source for each instrument but also the potential counterparts.

Specific instruments described in the methodology report were discussed as they did not have any data. In some cases the CBBH was not able to collect data, as the institutions would not release the data for free. In other cases like for instance life insurance technical reserves and derivatives these instruments should be blank as they do not exist in Bosnia.

Furthermore the consultants and CBBH looked at CBBH's new production system, where CBBH has compiled balances on an aggregated level for all sectors and all instruments. The production system also includes counterpart information when available. For most of the sectors the CBBH are able to produce financial balances back to 2006. Some of the data is still very limited though.

All in all it seems that CBBH has the technical system in place and the theoretical knowledge to produce financial accounts. It is however hard to make any further progress as long as they don't have enough data.

Another subject discussed under the mission was the need for a revision policy. The Danish revision policy was discussed and the recommendation from CMFB. The CBBH should have a revision policy but in the beginning of creating a new statistics, they should also be aware that many revisions may be needed.

Finally balancing was discussed. Horizontal balancing is only possible for the government sector, as long as no one is producing the non-financial accounts. Vertical balancing isn't meaningful before CBBH has more data for especially the non-financial sector. But as the counterpart information is already relative good, it will be a relative small step to do the balancing.

3. Assessment and results of the whole component

Sustainability of the achievements:

- *What should be done to ensure sustainability of the project achievements*
- *Are there any obstacles that need to be taken into account*

Recommendations for the future (short and long term)::

- *List recommendations for further improvement on the topic in question – what needs to be done, how, by whom, dependent on what etc. And what can be done in the short term and in the long term*

Identification of needs for additional support:

- *Would BC need external (financial(support) or can the recommendations be implemented by BC without additional support*

Outstanding issues:

- *Describe any outstanding issues discussed during the mission*

Starting point

When the mission's started CBBH already had very good data for the general government sector, but had not begun to make financial accounts for the rest of the sectors. For the financial accounts for the government sector, CBBH had made a preliminary system where one could produce financial accounts for one year at a time. This made it difficult to look at time series and the link between balances and flows. The staff at CBBH had a very good theoretical knowledge on financial accounts and how to compile it. Apart from government data the CBBH also had good primary data for the financial sector and IIP data, but needed to work with these data in relation to financial accounts.

Through out all of the missions, there has been a lot of good discussions between the consultants and CBBH on data sources and methods, and a lot of work has been done by CBBH on compiling financial accounts and describing the system. There ha been detailed discussions about how to use the data from MFI-statistics and other sources for the financial sector. Furthermore it has been discussed the difficulties in obtaining data from for instance stock markets etc.

Which system would be the best for beginning the work with financial accounts has also been discussed, and CBBH's first version of financial accounts are in high degree inspired by Statistic Denmark's former Excel system, which is a very good starting point by the consultant's point of view.

Results

The most important result is that the CBBH has compiled a first edition of balances of financial accounts on an aggregated level. Furthermore they have made a methodology report describing the instruments, the source data and the possible counterpart for each sector.

However there are still some outstanding issues. First of all the CBBH cannot obtain data from certain institutions. Some of it they have to pay for. At present they do not have any tool, like a law, other than to ask polite for the data. Furthermore the CBBH must also decide what to do with the financial accounts. Shall the data be published and in what form? Also the fact that the CBBH do not have a net lending/net borrowing for many of the sectors should be addressed.

Finally there is the whole sectorisation issue, that hasn't been addressed, as this issue is treated elsewhere. The consultants feel that the CBBH have made a very good and pragmatic decision to produce the financial account. When the data has been collected and a code has been assigned, it is

rather easy to move unit from one (sub) sector to another, when the statistical agencies comes to an agreement on the sectorisation issue.

Sustainability and how to move forward

To ensure sustainability the project has to be highly prioritized by CBBH. To get the missing data, CBBH has some work to do in convincing other institutions to give them data. This will not be an easy task and some of it may cost money, as the data comes from private companies. There has to be a principal decision in CBBH prioritizing financial accounts in order to move forward from this point.

The consultants recommend that the CBBH continue to work at improving the data input. They will probably need high level managers or some other form of pressure tool to obtain the needed data. If the CBBH choose to publish the statistic it would be useful to have some sort of education of the users so that they know the possibilities and limits of the statistics.

The consultants recommend that the CBBH continues the dialogue with the agencies of statistics regarding both sectorization and the production of the non-financial accounts.

4. Conclusions and recommendations of the whole component

It is the consultants' opinion that the CBBH now have a production system for the financial accounts, a first version of the balances and have described it in a methodology report. CBBH already have a lot of data, as they are collecting from the financial institutions themselves, so the main issue remaining is how to obtain more data from other institutions. The CBBH does not have any formal way of obtaining these data.

It is the consultants' opinion that before there is some progress in obtaining more data, the project has reached its benchmarks being possible at this time.

Action	Deadline	Responsible person
Incorporating the specific comments in the methodology	November 2016	Amir Hadžiomerađić, Ervin Zolić

Twinning Project BA-12-IB-ST-01
Terms of Reference

Component 3: Financial Accounts
5 – 8 Sep 2016
CBBH, Sarajevo, Mehmeda Spahe 5, 5th floor

Activity

- 3.4 Development of Financial Accounts I

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:

- Detailed analysis of data for general government (S.13) including:
- Review of collected data
- Development of full sequence of annual Financial Accounts
- Development of methodology document

Expected output

- Data reviewed
- First draft of tables for Financial Accounts set up
- Methodology document drafted

List of Participants

MS Experts

Katja Møller Hjelvang (DK)

Birthe Olsen (DK)

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

Location: Sarajevo, CBBH, Mehmeda Spahe, 5th floor

Time	Day	Place	Event	Purpose / Detail of event
09:00-09:30	Monday	CBBH	MS experts meeting with RTA and RTAA	Introducing MS experts on the work done and expected activities
10:00-16:00			Workshop with BC Experts	Data review -BC participant and MS experts
9:00-16:00	Tuesday, morning and afternoon	CBBH	Workshop with BC Experts	First draft of tables for Financial Accounts set up -BC participant and MS experts
9:00-16:00	Wednesday, morning	CBBH	Workshop with BC Experts	Methodology document finalized
	Wednesday, afternoon		Workshop with BC Experts	
9:00-11:00	Thursday, morning	CBBH	Meeting with BC Experts	Presentation of the summary mission reports by MS experts

Annex 2. Persons met

CBBH:

Ervin Zolic
Amir Hadziomeragic
Jelena Haljevac

RTA Team:

Søren Leth-Sørensen
Djemka Sahinpasic