

TWINNING CONTRACT

BA 15 IPA SR 01 17

Support to the reform of the statistics system in Bosnia and Herzegovina



MISSION REPORT

Activity 2.1.2: Enterprise groups and profiling I

Component 2: Business Statistics Sub-component 2.1: Statistical Business Register

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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

Table of contents

1. General comments	4
2. Assessment and results	4
3. Conclusions and recommendations	7
Annex 1. Terms of Reference	9
Annex 2. Persons met	10

List of Abbreviations

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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 second mission to be devoted to Business Register within Component 2 of the project.

The purposes of the mission were:

- Presentation of EU Member States experience with enterprise groups
- Methodology for enterprise groups
- Identifier of large case groups
- Profiling and user needs
- Available data available on FDI and FATS
- Discussion on domestic and global enterprise groups
- Plan for what to achieve by cooperating with the enterprise groups
- Plan for how to work on enterprise groups in BiH

As the MS expert from Denmark was going home on the Thursday the MS experts suggested some alterations to the agenda for the mission. The most significant of these was that the discussion of the summary report would be moved forward to Thursday morning. Thursday afternoon and Friday morning would then be spent on some practical examples and concrete guidance taking departure in the Croatian experience. The suggested changes to the agenda were agreed upon.

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

Knowledge gained on best practice and lessons learned on enterprise groups

- Update on the current situation

The first item on the agenda was the assessment of the current situation, challenges and developments on the EG system since the last Twinning project.

The work has so far focussed on analysing the sources for the creation of EGs and on the manual creation of these. Within the IPA project, the three institutions have carried out analyses of administrative data to be used for the creation of EGs. BHAS has created access tables according to the data model and this have been sent to the other two statistical institutions.

BHAS has focussed primarily on FDI data, as FATS data lacked ID numbers. BHAS have been in touch with the Central Bank of BiH and have made an agreement so that FDI data is available. For the initial work only links with direct ownership 50+ pct. have been extracted from the

database. The initial analysis showed that 735 EGs could be formed on the basis of this if an EG was defined as one or more LEUs in BiH. It was decided to focus on EGs with 2 or more LeUs in BiH. This led to the creation of 45 EGs with foreign owner. The data from these analyses have been entered manually into the tables in access. BHAS has only worked with foreign controlled groups.

In FIS similar work has been carried out using primarily data from the tax administration. Also here only links where the ownership is 50 pct. or more has been included in the work. In addition to data from the tax administration, FIS has also used the internet to search for information on the EGs. Filtering data in the access database so that only those with two or more LeUs in BiH are included, the number of EGs ended up at 40.

In RSIS administrative data from APIF and the Central Clearing Depository Agency has been used to create EGs. In those sources they had structure of ownership. Also here only the majority links were included in the data set and 650 EGs were formed on this basis. The reason for this discrepancy between the results obtained by RSIS and the two other agencies is that RS included all EGs consisting of one main unit and at least one "dependent" unit. In FIS and BHAS a filter was introduced so that the EGs consist of one main unit and at least two "dependent" units.

So far the results of this work has not been merged or compared case by case, so it is not known to what extent there are duplicates and overlaps in the results. Since this was an exercise, it is clear that an exhaustive list covering all of BiH EGs cannot be compiled from adding the results of these analyses alone. FDI data is used for the creation of foreign links, whereas tax data and APIF data is used for the creation of domestic relations.

- Experiences with introducing EGs in the business register from MS experts

The second day of the mission focussed on the MS experts experience with introducing EGs. Most time was devoted to the Croatian experience; partly because Croatia shares a lot of similarities with BiH in terms of data sources and availability, and partly because Croatia very recently has gone through the same process of introducing EGs.

Croatia, like BiH, does not have one single source for creation of EGs, but several administrative sources as well as statistical sources from Central Croatian Bank and EGR, are combined together for gathering data about EG. Croatia does not purchase data from commercial sources, so a lot of work has to be done for matching those data and to make them usable for creating EG in SBR EG database.

Croatia has chosen to attach the EG system to the Business Register following the recommendation of some experts, but this has led to some practical issues when changes in the live register are transferred to the EG system. The MS expert stressed that BiH should consider this when making a choice about whether to embed the EG system in the BR or not.

Croatia has also chosen a manual approach, as has BiH at this stage. One argument in favour of this is that it is important to gain a thorough knowledge of data before embarking on designing an automatic system. In Croatia, it is also an issue that there is no in-house IT staff. At the beginning it has been difficult to create EGs due to the issue related to data sources and the amount of work necessary. The availability of the EGR has been a major step forward in improving the quality of the Croatian EG system.

The MS expert from Croatia also demonstrated what the data looks like in the Croatian EG system and in the EGR files. For this purpose several EGs with cross border relations between BiH and Croatia were used as examples.

The MS expert from Denmark gave a short presentation of the Danish EG system. The main points in this presentation were that DK from the beginning had chosen an automatic approach – i.e. to form the EGs on the basis of an algorithm – and also that this can be done as long as there is a uniform data set available as input. Very few variables are actually necessary to create EGs. DK has the benefit of using only one source as input, but using multiple sources should not make it impossible to create this type of input data set. It might demand more work though to get data in the right shape. But if there are many sources, this quality work is necessary anyway.

BHAS then demonstrated the access data model for the EG system which has been used by all three statistical institutions. BHAS explained that in creating EGs the approach has so far been to complete these tables one by one with the information from the data sources. It still has to be analysed whether the work is done correctly.

Practical examples and concrete guidance from Croatian expert

As the MS expert from Denmark went home on the Thursday morning, Thursday afternoon and Friday morning was spent on some practical examples and concrete guidance from Croatian expert.

On Thursday afternoon, presentation of the useful links for manual searching of data about EG and LEUs which are part of EG was done, with practical examples (direct show on web sites). All those links are publicly available, so no confidentiality rules should be respected.

On Friday morning, Croatian EG interface was presented. As, both systems are similar, this part was interesting for all three statistical institutions.

Also, the access data base with tables was analysed a little bit, and it was concluded that some of them should be renamed, and that a new one should be added – foreign entity.

Profiling methodology presented

The third day of the mission was devoted to an introduction to profiling. As this topic is very large, the presentation did not give an in depth description of the methods and processes involved in profiling. Instead a lot of attention was given to the question of what profiling is and what the reason is for carrying out profiling.

As the main axis of profiling concerns the relation between legal units and the statistical unit ‘enterprise’, the presentation discussed the nature of the unit enterprise and why it is important to use statistical units instead of administrative units. Some of the operational rules of profiling were described briefly and some real examples from Denmark were used as illustrations of why it is important to analyse the EG and why it might be necessary to create enterprises.

BiH has no experience with profiling so far, but some future missions will deal with this subject at a more operational level. The MS expert stressed that profiling should primarily focus on the large and complex EGs.

Discussion of future work

The final point on the agenda on the third day was a discussion of future work in relation to EGs.

All three statistical institutions agreed that they have to analyse their administrative sources further. An official letter signed by the director generals should be sent to owners of administrative data so that the statistical offices can get the data they need for forming EGs and it should be stressed that it is needed for the future production of statistics describing globalisation.

It has been suggested by the MS experts that the three statistical institutions should exchange data they have now and try to compile it in one database or file. It was agreed that all three databases will be forwarded to BHAS where the results will be compared and analysed and returned to the three statistical institutions.

All three statistical institutions agreed to have one or more meetings before the next mission on EGs to discuss cooperation and to elaborate the plan for integrating EGs in the BR. It was also agreed that the three statistical institutions together will look at results of the comparison of the data. Based on this the three statistical institutions will discuss how to move forward.

3. Conclusions and recommendations

All three statistical institutions have made good progress in terms of analysing and working with available administrative sources, although after the discussions at this mission it seems important to analyse them further. They have also gained practical experience from working manually with these sources to create EGs.

Having seen that Croatia also uses several administrative and statistical sources for compiling EGs have been encouraging for the work in BiH. It is very positive that all three statistical institutions have agreed to meet before the next mission to discuss how to move forward together.

As it is currently not possible to create domestically controlled EGs, the Central Bank of BiH has been contacted in order to get FDI data. Data on foreign investments in BIH was available at that time. The Central Bank of BiH agreed that they will forward the data on BiHs investments in other countries as soon as it is available.

For the creation of EGs it is important that one database is created covering the entire BiH. Without this it will be difficult to get the complete picture and there is also a risk of overlapping information.

It is recommended that BiH works towards implementing an automatic procedure for the creation of EGs. A first step in that direction is to define an input file and describe where the necessary variables for the file can be found in the various administrative sources available.

Actions needed for moving forward as well as for preparing the next mission –add rows as needed.

Action	Deadline	Responsible person
Comparing the three databases	July 1 st	BHAS
Joint meeting to discuss results and future work re. EGs	Before next mission	BHAS
All three statistical institutions will choose one EG for the testing of profiling.	Before next mission	BHAS, RSIS, FIS

Topics for the next mission

- Presentation and discussion of the results of the comparative analyses of the databases.
- Testing of profiling with real EGs and real data in BiH.

Annex 1. Terms of Reference**Terms of Reference****EU Twinning Project BA 15 IPA ST 01 17****Component 2: Business Statistics****Sub-component 2.1: Statistical Business Register****28 May- 1 June 2018****Hosting Institution: Institute for Statistics of Federation of BiH,
Zelenih beretki 26, Sarajevo****Activity 2.1.2: Enterprise groups and profiling I****1. Mandatory result and benchmarks for the component****Mandatory result:**

- Volume of characteristics in the Statistical Business Register increased and quality of data improved in line with EU standards by 8th project quarter

Benchmarks:

- 5-year development plan for the statistical business register updated and adopted by 2nd project quarter
- Staff trained in profiling methods by 5th project quarter
- First test profiling created by 5th project quarter
- 5-year development plan for the statistical business register updated and adopted by 8th project quarter
- Enterprise groups data integrated into the statistical business register by 8th project quarter
- Plan developed for updating the statistical business register data model by 8th project quarter

2. Purpose of the activity

- Presentation of EU Member States experience with enterprise groups
- Methodology for enterprise groups
- Identifier of large case groups
- Profiling and user needs
- Available data available on FDI and FATS
- Discussion on domestic and global enterprise groups
- Plan for what to achieve by cooperating with the enterprise groups
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3. Expected output of the activity

- Knowledge gained on best practice and lessons learned on enterprise groups
- Profiling methodology presented
- Methodology on enterprise groups defined
- Overview of available data made
- Plan developed for what to achieve and how to work on enterprise groups in BiH
- Input provided to the ToR of next activity

Annex 2. Persons met

Agency for Statistics of BiH (BHAS)

- Dženita Mustafic, SBR Coordinator
- Mevlija Odobasic, SBR
- Ivana Tavra Colo, SBR
- Senija Facic, Branch Office Brcko District
- Vedad Osmanovic, IT Branch Office Brcko District

Institute for Statistics of Federation of BiH (FIS)

- Emira Beširević, SBR Coordinator
- Enisa Rastić, Head of SBR and Economic Classifications Department
- Envera Hurić, Senior Advisor in SBR and Economic Classifications Department
- Amar Bisić, Junior Associate in SBR and Economic Classifications Department
- Razija Bičakčić, IT expert for SBR

Institute for Statistics of Republika Srpska (RSIS)

- Jelena Đokić, Assistant Director
- Nada Malinović, Head of Department SBR
- Nataša Teinović, Senior Statistician SBR

MS Experts

- Søren Kristensen, Statistics Denmark
- Zrinka Uglešić, Croatian Bureau of Statistics

Twinning Project Administration

- Katja Møller Hjeltvang, RTA
- Đemka Šahinpašić, RTA Assistant
- Haris Imamović, Interpreter