

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 3.8:

Data sources, production and balancing of quarterly IIPs III

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
QIIP	Quarterly international investment position
QBOP	Quarterly balance of payments
FDI	Foreign direct investment
BIS	Bank for international settlements

Executive Summary

Only if core text of mission exceeds 4 pages – otherwise delete

Main conclusions and highlights from findings.

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 fourth mission to be devoted to IIP within Component 3.8 of the project.

The purposes of the mission were:

- Follow up from the previous mission
- Distinction between Money market funds (S123) and Investment funds (S124)
- 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
- Provide recommendations for future work

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 the stay in Bosnia-Herzegovina and which highly facilitated the work of the consultants.

The 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

Since the last mission, the CBBH has made progress on the following points:

- Launched a new survey on quarterly trade credits and prepayments
- Expanded the FDI compilation with a new form to collect information on derivatives
- Added a question to the FDI income questionnaire to separate net extraordinary items from the income.
- Added a question to the FDI other questionnaire to collect information on counterpart sector, such that deposit can be identified
- Made progress to distinct between money market funds and investment funds
- Initiated work to use CPIS and BIS mirror data to improve quality of the IIP
- Drafted a production plan for the IIP
- Revised the methodology note to include
 - Revision policy
 - Description of data sources and projections for each functional category.

- Explained the difference between directional principle and asset/liability for FDI
- Added information on publication dates

During the mission, the following points were discussed/reviewed:

The MS experts would like to recognize the effort of the CBBH to prepare and launch a new quarterly survey on trade credits and advance payments within only a few months – which is not an easy task. MS experts have reviewed the changes made to the FDI compilation (which cover non-FDI items as well) to collect data on derivatives and to identify deposits under other investments. The structure of the derivatives form was discussed, and the choice to split stock and flow on separate rows in the form. The CBBH had first tested a form with stock and flow on the same row, but opted against it as respondents found the form difficult to understand. The chosen method will provide the necessary data to comply with the current Eurostat requirements for financial derivatives. It was suggested to clarify in the instructions that fees should be excluded from transactions. MS Experts will send (digital) examples of their guidelines on derivatives for inspiration.

The CBBH has identified money market funds (MMF's) to be separated from the investment funds. The MS Experts recommend using information from the financial regulatory authority to maintain the list of MMF's.

CBBH explained their ideas on how to use mirror data from CPIS to analyse asymmetries on portfolio investment liabilities – which had increased significantly over the past years, in particular for debt securities. The challenge is reinforced by the lack of security data for the security database that has been developed. They will continue the effort to get data for the database. MS Experts suggested looking into listed debt instruments issued abroad by BiH residents through available sources. CBBH has considered methods to use BIS data as a source to gross up households' assets/liabilities vis a vis foreign MFI's. The MS Experts recognize the effort, but also that the incompleteness of the BIS dataset (as it is voluntary), and limited breakdowns makes it a difficult source to use.

CBBH explained that they will receive survey data on other financial institutions in the future, which will improve their coverage of this sector.

CBBH has drafted a production plan to produce IIP vis a vis the rest of the world, listing processes to complete and a timeline for data availability, which leaves 15 days from the last survey data is collected to finalize the production, which seems feasible. The CBBH demonstrated that they have successfully used the conversion tool to prepare IIP data.

The MS experts have reviewed the methodology note, and recognize that the note has been updated with the inputs from prior missions.

In the discussion on workflow and production, the topic of IT was discussed, and the MS experts expressed concern over the lack of database resources.

Stock of investments related to participation in international organizations was discussed in regard to whether callable amounts should be reported (it shouldn't).

3. Conclusions and recommendations

The CBBH has made progress in most aspects, and have improved their surveys or initiated new surveys to strengthen the data sources necessary to compile quarterly IIP. CBBH is largely prepared for regular QIIP production and data transmission to Eurostat of QBOP and QIIP vis a vis rest of the world.

However, a crucial data gap still persists regarding the lack of securities data. Security database which has been developed still has no security data. The security data is a key input to compile the IIP. The MS experts strongly recommend that a solution is found – and in the short term to make an estimate for the security assets and liabilities that are not covered.

CBBH has made excellent efforts in improving data quality through recognising data gaps and coverage issues, e.g. in currencies, as well as discovering new sources to reconcile these. MS encourage CBBH to continue this work with available administrative sources.

CBBH has produced IIP vis a vis rest of the world without country breakdown. To comply with EU requirements, BoP IIP data with country breakdown is required.

For this purpose MS strongly encourage CBBH to devote IT resources to develop BoP IIP production built on databases as opposed to current excel based production environment. For regular production of QBOP and QIIP fulfilling requirements, a database is vital for handling vintages with a significantly expanding amount of data. Database production environment could be the first step in streamlining the production process, and would also allow in the long term to handle the surveys in a digital form.

Action	Deadline	Responsible person
Investigation of debt instrument issuances of domestic sectors (particular abroad).	By October 2019	CBBH
Physical currency transported abroad: - Obtain data from indirect taxation authority	By October 2019	CBBH
Investigate BiH share of equity from participation in international organizations	By October 2019	CBBH
Reporting instructions on derivatives of FI and DK sent to CBBH	End of June 2019	MS experts

Annex 1. Terms of Reference**Terms of Reference****EU Twinning Project BA 15 IPA ST 01 17****Component 3: Balance of Payment and IIPs****17-19.06.2019.****Activity 3.8: Data sources, production and balancing of quarterly IIPs III****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)
 - Finalize the methodological note on quarterly IIP with MS input
 - Planning of the quarterly survey for trade credits
 - Planning a draft document describing the production process of quarterly IIP

- 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
- Plan for regular production of quarterly IIPs

3. Expected output of the activity

- Data reviewed
- A final set of quarterly IIPs developed
- Methodology document finalised
- Plan for regular production of quarterly IIPs developed
- 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
- Aida Kalčo

MS Experts

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Signatures

For the approval of the contents of this summarized report, representative from CBBH as well as the MS experts and the RTA sign here:

Date:

Component leader, CBBH

RTA

MS Expert

MS Expert