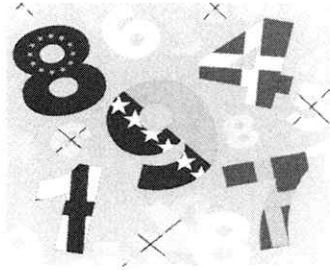


# TWINNING CONTRACT

BA 17 IPA ST 01 20



## Further Support to the Reform of Statistics System in Bosnia and Herzegovina



### MISSION REPORT

**Activity 5C: Development of the working document, and outline of the plan of the geo-distributions**

**Component 5: Methodology for the compilation of the Monthly Balance of Payments  
Statistics developed and aligned with EU standards**

Mission carried out by  
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29 November - 01 December 2022

Version: Final

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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 EU Twinning Project "Further Support to the Reform of the Statistics System in Bosnia and Herzegovina". It was the third mission to be devoted to the Component 5, Methodology for the compilation of the Monthly Balance of Payments, of the Project.

The purposes of the mission were:

- Presentation of the draft working document in excel including reporting table required by Eurostat
- Presentation of the draft plan of the geo-distribution

The consultants would like to express their thanks to all officials and individuals from Bosnia and Herzegovina met for the kind support and valuable information, and which highly facilitated the work of the consultants.

This views and observations stated in this report are those of the consultant and do not necessarily correspond to the views of EU, CBBH, Statistics Denmark and Statistics Finland.

## 2. Assessment and results

*Starting point is the list of activities mentioned in the ToR.*

*Description and assessment of the situation as basis for conclusions and recommendations in section 3 below.*

*What have been achieved during the mission. Were there problems, delays.*

*The CBBH BoP staff presented preliminary result of their estimation of monthly BoP based on the draft working document in excel. CBBH has several monthly data sources that can be used in the compilation of monthly figures. In the BoP items where monthly data is not available, CBBH has taken the approach of estimating the figures on an annual level with temporal disaggregation. Reference year 2019 was used in the analysis, with the latest data available. The results of estimation were then compared to the latest annual figures.*

*Monthly goods account is mainly derived from BHAS monthly data based on customs declarations (ITGS). The c.i.f – f.o.b adjustments and adjustments related to processing of goods are done on ITGS on monthly level, but based on data collected through annual surveys (survey on trade credit and advances and on processing of goods owned by others).*

*For services the compilation and estimation of monthly level data is done separately for manufacturing services on physical inputs owned by others, transport, travel, construction, telecommunication, computer and information services, and other services. For the manufacturing services on physical inputs owned by others CBBH uses results of annual survey on processing of goods owned by others and monthly ITGS data. Travel data is based on tourism statistics that are compiled by BHAS on a monthly level. Monthly ITRS is used in compilation of construction in reporting economy. In transport, construction abroad, telecommunication, computer and information services, a linear forecast on annual level is implemented with temporal disaggregation based on*

*prior information. Linear estimation on annual level is also used for other services, but the temporal disaggregation is based on monthly ITRS data.*

*Monthly estimation in compensation of employees is done separately for credit and debit. In debit estimation of number of foreigners working in BH and average quarterly wages are used, and for debit of BH embassies and consulates, data are collected quarterly from the Ministry of foreign affairs. Data on seasonal workers and occasional earnings from working abroad and those BH residents working for international organizations and foreign embassies and consulates are used to estimate credit side of compensation of employees. Linear forecast estimates are done on an annual level and a historical share of quarterly distribution is used to estimate the monthly level.*

*Western Union, ITRS and social benefits data provide a monthly source for secondary income. Besides these sources, secondary income from informal sources, which was almost 50 per cent of secondary income in 2015, is estimated with linear forecast.*

*Capital account figures are based on annual OECD data which is first disaggregated to quarterly and then to monthly level.*

*Direct investment dividends are estimated jointly for deposit taking corporations and other companies. Source for deposit taking corporations' direct investment dividends is data available in two stock exchange websites on monthly level. There is a negative correlation between the dividends of deposit taking corporations and other companies, for which reason the amount of total dividends was estimated on annual level. To get the other companies' dividends, the amount of deposit taking corporations dividends was then deducted from the total dividends estimated. The annual level is then divided into quarterly level, which is then divided into monthly level based on ITRS (average share of previous 4 years).*

*Reinvested earnings for the DTCs are estimated based on data on profit available from monthly Monetary and Financial Statistics. The data on the companies' reinvested earnings are estimated based on the historical data on companies' share of dividends in total of RIE and dividends. Based on the share of dividends the total is calculated and RIE is estimated as total minus dividends.*

*Direct investment interests are estimated on an annual level and the monthly distribution is created using monthly MFS data.*

*When it comes to portfolio investments, companies' dividends are based on historical data. In calculation of monthly interest paid on debt securities, average interest rate (calculated for previous year) is applied to the monthly stock data on securities. For other sectors and instruments, a variety of monthly data sources are used.*

*For other investments, the only source available on a monthly level is data on interest paid, which is obtained from GFS. Interest paid and received by the DTC sector are calculated separately based on interest rates on loans and deposits from the previous year and monthly stock data on loans and deposits obtained from MFS. Data on interest for other financial and nonfinancial enterprises are estimated based on historical data on stocks of enterprises' loans and interest. A separate estimation model has been developed for income from trade credits and advanced payments, where data are estimated based on historical data from the corresponding annual survey. Additional source data used in the model are available data for 2019 on exports and imports of goods.*

*All data on income from reserve assets are available on monthly level from CBBH Accounting and Finance Department.*

*For financial account, the main sources are on a monthly level with some exceptions. The data on debt instruments in direct investments is based on historical data. Data for portfolio investments on other financial corporations are available in the MFS on a quarterly basis but with a lag of T + 4 months. Thus the most recent estimates are based on historical data. The monthly distribution are derived from previous years' data for debt securities assets of DTC sector, since that is the only available monthly distribution. The main remaining issue in the compilation of monthly financial account is the compilation of other investments for Other sectors as a reliable monthly indicator has yet to be found and this item is exceptionally volatile.*

*Regarding the plan for introduction of GEO distribution in compilation and reporting of monthly BOP there was a presentation on the actual data lines required with geographical breakdown. The analysis was based on BOP-DSD Excel-files from which non-essential datalines were removed. The required geographical breakdown for non-Euroarea countries in monthly bop is Geo 3, which includes distinction between Euroarea, non-euroarea, EU and non-EU countries. This distribution is required for following BoP items: goods (national and community concept), services, compensation of employees, investment income by functional category and by instrument in direct and portfolio investment, other primary income, secondary income and capital account. In total this means 92 new datalines to be reported on monthly level.*

### **3. Conclusions and recommendations**

*The results of the exercise were encouraging for reference year 2019. On an annual level the difference between estimated BOP item values and the final actual values was insignificant. This is due to the fact that CBBH has many reliable monthly sources used in compilation of BOP. For other items the methodology used for monthly level forecasting seems to work sufficiently in stable circumstances for the reference year 2019.*

*At the moment, the biggest challenge in compilation of monthly BoP data according to the EU requirements is the estimation of other investments for other sectors in financial account. For this item the CBBH will keep looking for indicators. However, the current approach is sufficient as financial account is prone to big revisions.*

*As mentioned above, the approach taken by CBBH is found suitable in normal circumstances. However, the need for high frequency data arises especially in times of crises. We recommend that CBBH continues its impressive work on finding indicator series and on the development of monthly estimation and forecasting methodology.*

*According to our discussions with the CBBH staff, they have the capability to study the possible sources for geographical breakdown to meet the monthly BoP requirements. We are confident that the CBBH staff has the expertise to meet the objectives of the project within the timeline of the project.*

## 4. What to do before the next mission for the BC Counterpart

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

<b>Action</b>	<b>Deadline</b>	<b>Responsible person</b>
Finalize the internal registry of data sources for compilation of monthly BOP	July 2023	CBBH
Create draft notes on methodology for the production of monthly BoP	July 2023	CBBH
Preliminary monthly BOP report against rest of the world for the year 2019 produced and delivered to Eurostat	April 2023	CBBH
Develop plan for introduction of the geo-distribution in compilation and reporting of monthly BoP	May 2023	CBBH

## **Annex 1. Terms of Reference for the current mission**

### **Terms of Reference**

**EU Twinning Project BA 17 IPA ST 01 20**

**Component 5 - Monthly Balance of Payments Statistics  
29 November - 01 December 2022**

**Venue: Central Bank of Bosnia and Herzegovina, Mehmeda Spahic Street, Sarajevo**

#### **Activity 5C: Development of the working document, and outline of the plan of the geo-distributions**

##### **1. Mandatory result**

Methodology for the compilation of the Monthly Balance of Payments Statistics developed and aligned with EU standards

There are two main objectives or sub results:

5.1 Preliminary monthly BOP report against rest of the world for determined time period produced,

5.2 Plan for introduction of GEO distribution in compilation and reporting of monthly BOP – prepared

Indicator / Relevant Milestones / Internal deadlines:

- Established internal registry of data sources for compilation of monthly BOP by end of (to be decided on the first mission)
- Prepared reporting table in accordance with selected format and delivered to Eurostat by end of (to be decided on the first mission)

##### **2. Purpose of the activity**

- Presentation of the draft working document in excel including reporting table required by Eurostat
- Presentation of the draft plan of the geo-distribution

##### **3. Expected output of the activity**



- Report on the analyses and proposals for the final selection of sources, agreed guidelines for creation of final working document,
- Guidelines for finalising the plan of the methodology used to create geo-distribution,
- Mission report
- Input provided for ToR for next activity

## Annex 2. Topics for the next mission

<b>Activity 5.1.D</b>	<b>Final mission</b>
<b>Budget section</b>	III. Components Mandatory Results – Component 5
<b>Subject</b>	The production of the final report of the project
<b>Methods</b>	Online seminar / workshop. Subject to travel restrictions.
<b>Resources</b>	MS: Risto Sippola (SF) and Reetta Karinluoma (SF). RTA & RTAA. BC: CBBH BOP Section Staff Venue: CBBH, Bosnia and Herzegovina
<b>Duration</b>	Up to a total of 8 working days for MS staff
<b>Output</b>	Established internal registry of data sources for compilation of monthly BOP Final notes on methodology for the production of monthly BoP Preliminary monthly BOP report against rest of the world for determined time period produced and delivered to Eurostat Final plan for introduction of the geo-distribution in compilation and reporting of monthly BoP - prepared Mission report,
<b>Time schedule</b>	September 2023

## Annex 3. Updated Workplan

Component 5: Methodology for the compilation of the Monthly Balance of Payments Statistics developed and aligned with EU standards

The component on Monthly Balance of payment has the following objectives:

- 5.2 Preliminary monthly BOP report against rest of the world for determined time period produced
- 5.3 Plan for introduction of GEO distribution in compilation and reporting of monthly BOP - prepared

It is the ambition of the Central Bank that this project shall take them to the stage where transmission of monthly BOP data to Eurostat is possible.

As this is the first rolling work plan there are no change to the previously planned activities.

Key BC-staff for the component:

Central Bank of Bosnia & Herzegovina	Vedran Milisav, Head of BoP statistics, vedran.milisav@cbbh.ba / Vedran.milis21@gmail.com;  Amir Hadziomeragic ; amir.hadziomeragic@cbbh.ba;
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The initial financial planning of the component assumes one online activity and up to 6 activities in BiH with up to a total of 56 (8+48) working days. The assumption for flights and per diems assumes 12 flights and 60 overnight stays. In addition to the activities carried out by remote / in BiH one study visit to Finland or Denmark will be conducted when the pandemic situations allow to. Currently the study visit is expected to take place in 2022.

<b>Component 5: Monthly Balance of payment</b>		
<b>Indicators with relevant baseline (equal to log frame):</b>	<b>Relevant Milestones / Internal deadlines</b>	<b>Status</b>
5.1 Preliminary monthly BOP report against rest of the world for determined time period produced	Established internal registry of data sources for compilation of monthly BOP on December 2022	Completed  In process
5.2 Plan for introduction of GEO distribution in compilation and reporting of monthly BOP - prepared	Prepared reporting table in accordance with selected format and delivered to Eurostat on June 2023	

In the component, we have planned the following activities:

<b>Activity 5.1.A</b>	<b>Assessment of the current status on Balance of payment and the way forward</b>
<b>Budget section</b>	III. Components Mandatory Results – Component 5
<b>Subject</b>	Assessment of the current status on Balance of payment Development of work plan

<b>Methods</b>	Online seminar / workshop. The BC side brief the MS side on current state of play regarding balance of payment
<b>Resources</b>	MS: Juha Martikainen (SF) and / or NN and / or NN. RTA & RTAA. BC: Relevant staff expected to be involved in component 5 Venue: Virtual meetings on Zoom
<b>Duration</b>	Up to a total of 8 working days for MS staff To be implemented as a 3 to 4 online sessions
<b>Output</b>	Assessment of the current status for Balance of Payment Detailed work plan made Mission rapport
<b>Time schedule</b>	July 2021

<b>Activity 5.1.B</b>	The development of the Internal registry of data sources for compilation of monthly BOP
<b>Budget section</b>	III. Components Mandatory Results – Component 5
<b>Subject</b>	Introduction to the information system and structure of the data in the BoP section The development of the Internal registry of data sources for compilation of monthly BOP
<b>Methods</b>	Online seminar / workshop. Subject to travel restrictions.
<b>Resources</b>	MS: Juha Martikainen (SF) and / or NN and / or NN. RTA & RTAA. BC: Relevant staff expected to be involved in component 5 Venue: To be decided
<b>Duration</b>	Up to a total of 8 working days for MS staff
<b>Output</b>	First draft of the internal registry of the data developed Mission report,
<b>Time schedule</b>	November/December 2021

<b>Activity 5.1.C</b>	Development of the working document, and outline of the plan of the geo-distributions
<b>Budget section</b>	III. Components Mandatory Results – Component 5
<b>Subject</b>	Development of the working document in excel including reporting table required by Eurostat Outline of the plan of the geo-distribution
<b>Methods</b>	MS: Expert mission to CBBH.
<b>Resources</b>	MS: Risto Sippola (SF) and Reetta Karinluoma (SF). RTA & RTAA. BC: CBBH BOP Section Staff Venue: CBBH, Bosnia and Herzegovina
<b>Duration</b>	Up to a total of 8 working days for MS staff
<b>Output</b>	Draft the working document in excel including reporting table required by Eurostat developed Outline of the plan of the geo-distribution created

	Mission report,
<b>Time schedule</b>	end of November 2022

<b>Activity 5.1.D</b>	<b>Final mission</b>
<b>Budget section</b>	III. Components Mandatory Results – Component 5
<b>Subject</b>	The production of the final report of the project
<b>Methods</b>	Online seminar / workshop. Subject to travel restrictions.
<b>Resources</b>	MS: Risto Sippola (SF) and Reetta Karinluoma (SF). RTA & RTAA. BC: CBBH BOP Section Staff Venue: CBBH, Bosnia and Herzegovina
<b>Duration</b>	Up to a total of 8 working days for MS staff
<b>Output</b>	Established internal registry of data sources for compilation of monthly BOP Final notes on methodology for the production of monthly BoP Preliminary monthly BOP report against rest of the world for determined time period produced and delivered to Eurostat Final plan for introduction of the geo-distribution in compilation and reporting of monthly BoP - prepared Mission report,
<b>Time schedule</b>	September 2023

<b>Activity 5.S</b>	<b>Study visit to Finland/Denmark</b>
<b>Budget section</b>	III. Components Mandatory Results – Component 5
<b>Subject</b>	The production of monthly based BoP statistics with geo-distribution in Statistics Finland
<b>Methods</b>	Study visit to member state. - Finland
<b>Resources</b>	MS: Statistics Denmark and / or Statistics Finland & RTAA BC: Relevant CBBH staff (5 persons) involved in component 5 Venue: Statistics Finland and Bank of Finland
<b>Duration</b>	3 or 4 study visit days.
<b>Output</b>	Mission report, Report of lessons learned, Points for inspiration for work in Bosnia and Herzegovina
<b>Time schedule</b>	October 2022

## Annex 4. Persons met

### Statistics Finland

Risto Sippola, Statistics Finland

Reetta Karinluoma, Statistics Finland

### CBBH:

Amir Hadžiomerađić, Head of Statistics and Publications Department

Vedran Milisav, Head of BoP statistics section

Suzana Kozinović-Ličanin, Expert for BoP statistics

Aida Kalčo, Senior Specialist for BoP statistics

### RTA Team:

Niels Madsen

Larisa Muslimovic

## 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