

TWINNING CONTRACT

JO/13/ENP/ST/23

Strengthening the capabilities of the Department of Statistics in Jordan



MISSION REPORT

on

Activity 1.14: Supply and Use Tables VII

Mission carried out by
Mr. Jens Holst Jensen, Statistics Denmark
Mr. Søren Larsen, Statistics Denmark

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Expert contact information

*Jens Holst Jensen
Statistics Denmark
Sejrøgade 11
DK-2100 Copenhagen Ø
Denmark
Tel: 004539173484
Email: jhj@dst.dk*

*Søren Larsen
Statistics Denmark
Sejrøgade 11
DK-2100 Copenhagen Ø
Denmark
Tel: 004539173483
Email: shl@dst.dk*

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List of Abbreviations

DoS	Department of Statistics of Jordan
ToR	Terms of Reference
SUT	Supply and Use matrices
VAT	Value added tax (the general sales tax)
NA-products	National accounts products (the product classification used in the SUT)
FOB	Free on board
CIF	Cost, insurance, freight

1. General comments

This mission report was prepared within the Twinning Project "Strengthening the capabilities of the Department of Statistics in Jordan". It was the fifth and sixth mission to be devoted to national accounts within Component 1 of the project.

The main purposes of the mission were:

- To continue the manual balancing process by balancing towards target totals
- To train the DoS staff so they during active balancing work become familiar with the balancing technique and with the common „Rules for balancing”
- To make plans for further work and agree upon work to be done before next mission scheduled January 2015.

The consultants would like to express their thanks to all DoS officials and individuals met for the kind support and valuable information which they received during their stay in Jordan and which highly facilitated their work.

The views and observations stated in this report are those of the consultants and do not necessarily correspond to the views of EU, DoS or Statistics Denmark.

2. Assessment and results

At the start of the November mission the Excel workbook containing the SUT-environment was fully populated with an initial version of the data. During that mission the product balances were looked through and differences between supply and use had been reduced to small acceptable values for most products. Before the start of this mission such remaining differences had been eliminated using the tools provided by the Excel-macro system for automatic balancing. However, for a number of products significant differences were still not explained, and had to be studied further before it would be possible to adjust input to the corresponding targets for total input in each industry.

At the beginning of this mission most of the remaining differences were removed. Balances for fertilizers (phosphate), maintenance, repair and installation (except construction) services and accommodation services still contained some unsolved problems and there still seem to be a need for some adjustments to balances for food products.

Some specific problems arose in connection with import and export of services according to the balance of payments. A double counting of transport included in the CIF value of imported goods had been removed from the import of services. According to the balance of payments figures there is a considerable net export of government services that does not seem to have a corresponding supply of sales revenue from general government. In principle this export cannot be export of health services, as services to foreign patients should, by SNA convention, be included in the travel expenses paid by non-residents. Furthermore it seems that the figures for supply of health services is too small to cover export in connection with "medical tourism" from which Jordan seems to have a considerable income according to several papers and home pages found in the internet. As temporary solutions the missing supply was added to output of general government and private health services, but a thorough investigation of the issue is recommendable as these export values have a size that significantly affect the general picture of the Jordanian economy.

It may be possible to throw some light on the calculations behind the balance of payment if a meeting can be arranged with relevant persons from the central bank. It may also be possible to get a better

understanding of the figures for output from public hospitals if a meeting can be arranged with relevant people from the Ministry of Finance.

The “Health complex” that includes output and use of pharmaceutical products, output and household consumption of health services as well as foreign trade in travel and treatment can to some extent be separated from other balancing problems. Hence, it does not necessarily delay the adjustment of input totals to targets for intermediate consumption for other industries.

Before adjustments of industry inputs to the targets for intermediate consumption by industry can take place it is necessary to ensure that these targets are as realistic as possible. At the start of the mission it was demonstrated how each target is composed of initial values and adjustments made necessary by the differences between the concepts from business accounting used in the SBS-data and the definitions used in national accounts. Well known examples are financial services (FISIM) and insurance services.

The initial targets for industry output and input were based on the survey data behind the SUT. A comparison between these values and the corresponding values from the current national accounts revealed a number of differences. During the mission explanations were found for some of the most significant discrepancies. It turned up that some “manufacturing” that takes place within units belonging to agriculture should be added to manufacturing of food products as it is not covered by agricultural production. A large production within manufacturing of machinery turned up to be missing from the survey data. The explanation was that a missing big enterprise had been added in the calculation of the current national accounts - as it definitely also ought to be in the SUT! It is necessary that distributions of output and inputs by products are determined for this enterprise before the next mission in December.

During the balancing of products supplements for informal activity have been added to output from specific industries where this seems to be the most credible explanation for missing supply. However, it is recommendable that a more systematic approach is used to determine the sizes of such supplements to targets for outputs and corresponding adjustments to the targets for intermediate consumption of the affected industries. If results from the ongoing project on non-observed economy (with participation from ISTAT) cannot be ready in time, we should at least look into whether such supplements are already included in the current national accounts figures.

Despite the fact that some adjustments to the target totals are still not sufficient, it was possible to perform some exercises in balancing industry inputs to input-target. Except for those industries that are seriously affected by the issues mentioned above, most industries now seem to have initial inputs that can rather easily be adjusted to the targets. If the outstanding questions can be solved early in the December mission, it still seems realistic that a version of the SUTs that has been through the “final” balancing to targets for trade- and transport margins, taxes and VAT can be produced at the end of the mission. It may still need some adjustments before it can be considered the definitive version of the SUTs.

3. Conclusions and recommendations

This mission concentrated on the second step in the manual balancing of the SUT: The balancing towards target totals. The goal was to complete this part of the balancing process during the mission and leave the final (more automatically) balancing procedure to a final mission in mid-January.

Of course, the balancing towards target totals must begin by a confirmation the very same target totals.

Before the mission, we had been working on the balancing of the products. During that process it turned out that some targets were changed and some questions arose. Especially balancing of the values for health services raised a number of questions addressed in a “Note on supply and use of health services”, see Annex 5.

A comparison of the SUT-targets with the current National Account figures for Jordan also revealed differences that had to be explained or lead to further changes in the targets.

During the mission we were able to solve some of the outstanding issues concerning the target totals. But this part of the work turned out to be more troublesome than foreseen. As a consequence there was not enough time for the actual balancing work and some manual balancing toward targets still has to be done.

And even some target totals still has to be decided upon.

In addition to this, the independent calculations of the Informal economy, that is part of this component of the twinning project, should also be taken into account.

To be sure that we will be able to final balance the SUT during the next mission in January 10-15, we will therefore recommend:

- In accordance with the Italian recommendations the remaining calculations for the informal economy should be finalized and send to the Danish experts by the end of this year.
- Pre arrange a meeting with relevant persons in the Central Bank of Jordan. The meeting should be held Sunday 11/1 2015 or Monday 12/1 2015. Prepare an agenda.
- Pre arrange a meeting with relevant persons in the Ministry of Finance. The meeting should be held Sunday 11/1 2015 or Monday 12/1 2015. Prepare an agenda.

Annex 1. Terms of Reference**Terms of Reference****EU Twinning Project JO/13/ENP/ST/23****30 November -4 December 2014****Component 1: National Accounts****Activity 1.14: Supply and Use Tables VII****0. Mandatory results and benchmarks for the component**

- The national accounts system in Jordan updated to SNA 2008 (Apr 2015)
- The national accounts system in Jordan will cover the informal sector (Apr 2015)
- Assessment report on current situation (Jan 2014)
- Review of the GDP methodology (Apr 2014)
- Plan for how to change base year in the fixed price calculations (Jan 2015)
- Plan for how to improve the current accounts (Jan 2015)
- Present and discuss the concept of different types of agricultural accounts (Jan 2015)
- Data sources, compilation methods, and balancing in relation to supply and use tables reviewed and updated towards SNA08 principles (Apr 2015)
- Provide recommendations on how to update input-output tables (Apr 2015)
- Update the methodology for calculation the informal sector (Apr 2015)

1. Purpose of the activity

- Continued familiarization of the DoS staff with the IT-tool for SUT
- With balanced supply and use
 - To adjust industry inputs and final demand categories in the direction of the target totals
 - To consider how to proceed with the final balancing
- Special focus on changes needed in the current system in order to comply with the ESA10/SNA08
- To introduce the DoS staff to requirements regarding supply and use tables in the ESA 2010 / SNA2008

2. Expected output of the activity

- DoS staff further familiarised with the IT-tool for SUT
- Supply equals the use for all products
- The column-totals of the SUT are adjusted in the direction of the target totals
- Final balancing of trade and transport margins, taxes on products and VAT is considered
- Recommendations prepared on the next steps in relation to how to deal with the balancing
- A lining up of work programme for the next activity (1.9, scheduled for 11 – 15 January 2014)
- DoS staff introduced to the Danish and in general European experiences in compiling Supply and Use tables

3. Participants

DoS:

Mr Moawiah Alzghoul Director of National Accounts Directorate, and component leader

Annual national accounts

Amal Abu Afeefeh - Head of the Annual Accounts Division

Farhan Mohammad

Loay Alrawashdeh

Ali Zaitoun

Input-output division

Murad Bani-Hamad

Murad Omari

Aysha Hashim Abu-Shaira

Quarterly accounts division

Walid Battah - Head of the Quarterly Accounts Division

Jaber Alfazza

MS experts

Mr. Jens Holst Jensen, Senior Adviser, National Accounts division, Statistics Denmark

Mr. Søren Larsen, Senior Adviser, National Accounts division, Statistics Denmark

Annex 2. Programme for the mission

Time		Place	Event	Purpose / detail
Sunday, morning	08.30 – 10.00	Hotel /DoS	Meeting with RTA	To discuss the programme of the week
Sunday, morning	10.00 – 12.00	DoS	Meeting with BC Component Leader and BC Experts	Information and follow-up on activities since activity 1.7, 1.13. What is the status regarding the balancing? Discussion of challenges faced, if any, when using the SUT-IT tool. Can everyone format, test and save data in the SUT? Can everyone extract data from the SUT. Correct data and save again?
	12.00 – 01.00		Break / Preparations / Report writing	Break / Preparations / Report writing
Sunday, afternoon	01.00 – 03.30	DoS	Meeting with BC Component Leader and BC Experts	Work on balancing the SUT and discussions of how to organize the balancing of the SUT.
	03.30 – 04.00		Preparations / Report writing	Preparations / Report writing
Monday, morning	08.30 – 09.00	DoS	Preparations / Report writing	Preparations / Report writing
	09.00 – 12.00		Meeting with BC Component Leader and BC Experts	Continued from Sunday afternoon.
	12.00 – 01.00		Break / Preparations / Report writing	Break / Preparations / Report writing
Monday, afternoon	01.00 – 03.30	DoS	Meeting with BC Component Leader and BC Experts	Continued from Monday morning.
	03.30 – 04.00		Preparations / Report writing	Preparations / Report writing
Tuesday, morning	08.30 – 09.00	DoS	Preparations / Report writing	Preparations / Report writing
	09.00 – 12.00		Meeting with BC Component Leader and BC Experts	Continued from Monday afternoon.
	12.00 – 01.00		Break / Preparations / Report writing	Break / Preparations / Report writing

Tuesday, afternoon	01.00 – 03.30	DoS	Meeting with BC Component Leader and BC Experts	Continued from Tuesday morning.
	03.30 – 04.00		Preparations / Report writing	Preparations / Report writing
Wednesday, morning	08.30 – 09.00	DoS	Preparations / Report writing	Preparations / Report writing
	09.00 – 12.00		Meeting with BC Component Leader and BC Experts	Continued from Tuesday afternoon.
	12.00 – 01.00		Break / Preparations / Report writing	Break / Preparations / Report writing
Wednesday, afternoon	01.00 – 03.30	DoS	Meeting with BC Component Leader and BC Experts	Continued from Tuesday afternoon.
	03.30 – 04.00		Preparations / Report writing	Preparations / Report writing
Thursday, morning	08.30 – 09.00	DoS	Preparations / Report writing	Preparations / Report writing
	09.00 – 11.30		Meeting with BC Component Leader and BC Experts	Discussions of open issues. Discussions of work programme until next mission (11-15 January 2011)
			Ad-hoc meetings	Final clarifications with BC Experts, preparation of report and presentation for BC Project Leader
Thursday, morning	11.30 – 12.30	DoS	Meeting with BC Component Leader	Presentation for BC Project Leader
Thursday, noon	12.30 – 01.00	DoS	Debriefing with BC Project Leader	Conclusions and decisions and their consequences for the next activity and the implied work programme for BC Experts

Annex 3. Persons met

DoS:

Mr Moawiah Alzghoul Director of National Accounts Directorate, and component leader

Annual national accounts

Khairallah Almarzoug

Farhan Mohammad

Ali Zaitoun

Ayman Nasir

Input-output division

Murad Bani-Hamad

Murad Omari

Aysha Hashim Abu-Shaira

Quarterly accounts division

Walid Battah - Head of the Quarterly Accounts Division

Loay Alrawashdeh

Jaber Alfazza

Walaa Gharram

RTA team

RTA, Thomas Olsen,

RTA Assistant, Christine Salman

Interpreter, Mohammad Junaidi