

# **TWINNING CONTRACT**

## **Support to the Statistics**

### **Kosovo**



## **MISSION REPORT**

**on**

**Activity 2.5.2: Continued support to implementation of Action Plan –  
Annual NA and QNA**

**Component no 2 National Accounts**

Mission carried out by  
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26 October-6 November 2015


***IPA 2012***

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Annex 2. Persons met.....	<b>Fejl! Bogmærke er ikke defineret.</b>

## List of Abbreviations

ANA	Annual National Accounts
BoPs	Balance of Payments
BEC	Big Economic Categories
CBK	Central Bank of Kosovo
CFC	Consumption of Fixed Capital
CPI	Consumer Price Index
CCI	Construction Cost Index
ESA 95	European System of Accounts 95
ESA 2010	European System of Accounts 2010
EU	European Union
GDP	Gross Domestic Product
GFCF	Gross Fixed Capital Formation
GFC	Government Final Consumption
GFS	Government Financial Statistics
HFC	Households Final Consumption
IC	Intermediate consumption
IMPI	Import Price Index
IPA	Instrument for Pre-accession Assistance
IMF	International Monetary Fund
IT	Information Technology
LFS	Labour Force Survey
QNA	Quarterly National Accounts
QGDP	Quarterly GDP
KAS	Kosovo Agency for Statistics
MoU	Memorandum of Understanding
NA	National Accounts
NACE rev.1	Nomenclature statistique des activités économiques dans la

	Communauté européenne, revision 1
NACE rev.2	Nomenclature statistique des activités économiques dans la Communauté européenne, revision 2
NAD	National Accounts Department
NPISHs	Non-Profit Institutions Serving Households
NOE	Non-Observed Economy
NGOs	Non-governmental organisations
PPI	Producer Price Index
R&D	Research and development
SBS	Structural Business Survey
STS	Short term statistics
SUTs	Supply and Use Tables
ToRs	Terms of Reference

## Executive Summary

The present mission carried out under component 2 – *National accounts* of the twinning project had as main objective to support KAS for the estimation of annual GDP by production and expenditure approaches, at current and constant prices, for the year 2014 and revision of quarterly data.

The estimates of GDP 2014 were finalised during the mission and KAS will publish them on 10 November 2015. The calculations were based on available data sources, means turnover of enterprises provided by Tax Authority, financial statements of financial units (Central Bank, other commercial banks, and insurance companies), Balance of Payments (BOP) provided by Central Bank, expenditures and revenues of general government provided by Ministry of Finance and statistical data (Structural Business Statistics (SBS) prices as PPI, CPI, Construction Cost Index (CCI) and agriculture prices).

Following the plan established last year, KAS improved the dissemination of GDP and will publish for the first time the estimates by production and expenditure approaches, at current and constant prices, at the same time. The first estimates for 2014 were available in June 2015 (as sum of quarterly GDP). The quarterly data will be revised based on the final estimates for 2014.

## 1. General comments

This mission report was prepared within the Twinning Project „Support to Statistics”.

The concrete objective of the mission was to support KAS for the estimation of GDP 2014 by production and expenditure approaches, at current and constant prices.

**This views and observations stated in this report are those of the consultant and do not necessarily correspond to the views of EU, KAS or Statistics Denmark and our implementation partners (NI-CO / Statistics Finland / Istat / Statistics Lithuania).**

## 2. Assessment and results

The present mission was focussed on GDP estimation at current and constant prices for 2014. The estimates were based on available data sources. The main sources used for the estimates were:

- Turnover of non-financial units provided by Tax Authority;

- Financial statements of financial units ( Central Bank of Kosovo, other commercial banks, insurance companies);
- Financial statements of government concerning the expenditures and revenues, provided by Ministry of Finance;
- Balance of Payments (BoPs) provided by Central Bank of Kosovo
- Structural Business Survey (SBS) for 2014
- Statistical data concerning the prices ( Producer Price Index (PPI), Consumer Price Index (CPI), Construction Cost Index (CCI) Import Price Index (IMPI) and agriculture output and input prices.

The provisional results of SBS were available at the beginning of the mission. Data were analysed, but several inconsistencies were found as: (i) value of the turnover was different from data provided by Tax Authority; (ii) share of intermediate consumption in the output presented unrealistic results. In this condition, for the estimation of national accounts indicators of non-financial units it was decided to use data from Tax Authority concerning the turnover and changes in inventories. The estimates were based on these data and the structure of the economy from the previous year

The output of government was estimated based on cost approach, using the detail information from Ministry of Finance. A new classification of transactions was used, based on the GFS codes established together with Ministry of Finance during the mission carried out in September 2015. The estimation of consumption of fixed capital (CFC) followed the PIM method established one year ago with IMF support.

The output of financial sector was estimated based on data provided by Central Bank of Kosovo; FISIM was calculated based on the ESA 2010. It was calculated as sum of the bank interest on loans less the SNA interest on the same loans plus the SNA interest on deposits less the bank interest on the same deposits. Export of FISIM was estimated using the external interbank reference rate, for loans granted to non-residents (excluding Financial Intermediaries) and for deposits of non-residents (excluding Financial Intermediaries). Based on the available data on stocks of loans by activity and by type, the FISIM was allocated to various users. FISIM was allocated to industry, and to the users (household final consumption, government final consumption and export). Estimation in constant prices was made using the general CPI.

The national accounts indicators of NPISHs were estimated based on the financial statements of these units provided by Ministry of Public Service.

As it was not possible to use the SBS results, the intermediate consumption of non-financial activities was estimated based on data provided by Tax Authority and its share in output from the previous year.

The estimates of output 2014 in the prices of the previous year were made using the corresponding PPI and CPI; for the intermediate consumption, the share of intermediate consumption in output from the previous year was used.

Households Final Consumption (HFC) was estimated based on the commodity flow approach using the template of calculations established one year ago. Some adjustments were realised, in order to follow the ESA 2010 methodological requirements.

The GFCF included the investment in machinery and equipment, construction, and agriculture, and the capitalization of expenditures on R&D and weapon systems. The estimation of construction is based on the input method. The value of raw materials obtained from imports and domestic production (minus export) represents the IC; this is adjusted with import taxes, VAT, and trade margins. The output is estimated based on a ratio of IC in output, which was considered to be 70 percent.

Investment in machinery and equipment is calculated based on custom data (assuming that the domestic production doesn't provide that type of products). The data are grouped by BEC and the codes 41, 42, 52 and 53 are used for the estimation of GFCF. The final data includes the custom duties and taxes paid for machinery and equipment.

The constant prices estimates for construction and investments in machinery and equipment was realized using IMPI.

Data on import and export of goods are provided by Custom Authority; for services, data from the Balance of Payments (BoP) are used. The estimation of import of good in the prices of the previous year was based on IMPI; for the export of goods, the corresponding PPI were used. The import of services in constant prices was estimated based on the average CPI of Germany, Albania and Macedonia, which are the main commercial partners of Kosovo; export of services was estimated using the corresponding domestic CPI.

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

During the mission, detailed recommendations concerning the estimation of annual GDP by production and expenditure approaches were provided.

It was recommended to improve the organisation of work in annual economic statistics. The results of SBS, which is the main data source for annual estimates of GDP, were not used due to the poor quality of data. It is necessary to develop a detail work plan for SBS with deadline and responsibilities, starting with the design of the questionnaire until the publication of the results, including the estimation of the sample, the organisation of data collection, the data entry and validation process, the growing-up methods and dissemination of data. It was recommended to improve the questionnaire, and to link the requested data with accounting forms provided by units to Tax Authority.

## Annex 1



### EU Twinning Project

KS12 IB ST 01

Support to Statistics

#### Terms of Reference:

#### Component 2: National Accounts

#### Activity 2.5.2: Continued support to implementation of Action Plan – Annual NA and QNA

#### Scheduling:

Tor –ready date: 12 October 2015

Start / end of activity: 26 October – 6 November 2015

Reporting time: 13 November 2015

#### Mandatory result of the component:

Mandatory Result	Intervention logic	Benchmarks	Sources of information	Assumptions
2.5.2	<b>Continued support to implementation of Action Plan – Annual NA and QNA</b>	<ul style="list-style-type: none"> <li>• Mission report uploaded on project homepage</li> <li>• Roadmap detailing the implementation of the action plan agreed</li> <li>• Timeline for implementation of NA developed and discussed</li> </ul>	<ul style="list-style-type: none"> <li>• Twinning quarterly reports</li> <li>• Mission Report</li> <li>• Updated action plan</li> </ul>	<ul style="list-style-type: none"> <li>• Sufficient absorption capacity</li> <li>• Low turn-over of staff involved in implementation</li> <li>• Staff works on project related tasks in between missions</li> <li>• Access to accurate primary</li> </ul>



				statistics <ul style="list-style-type: none"> <li>• A detailed Terms of Reference is developed in a timely manner detailing tasks (input), expected output, participants of the activity and agenda</li> </ul>
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### **Subject / purpose of activity: 2.5.2 activity**

Further support to KAS including consultations and discussion with National Accounts Department concerning annual and quarterly national accounts compilation.

This mission is a continuation of previous mission on NA improving quality of National Accounts in Kosovo.

For the first time, KAS will publish annual GDP estimated by production and by expenditure approaches in the same time, means at the beginning of November 2015. A dedicated publication will be designed in order to present to the users the annual GDP estimates.

KAS implemented quarterly GDP (QGDP) during the period 2014-2015 and a time series 2010- I quarter 2014 was published in December 2014; the other quarters of 2014 were published during the first semester of 2015. In this way, for the first time, quarterly data for the year 2014 were published before the annual estimates. The quarterly data will be analysed and revised in line with annual estimates of GDP 2014.

### **Expected output of activity 2.5.2:**

Mission report

Publication designed for annual GDP

### **KAS resources:**

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**Description of the background for the activity**

The 2012 Adapted Global Assessment report (AGA) prepared by Eurostat states the following about National Accounts (p.53-54): In 2010 KAS prepared with IPA support an “Action Plan for compiling and publishing comprehensive statistics on National Accounts and labour market”. That Plan is in principle a useful instrument to organize the future development of National Accounts together with the development of standards and sources that are needed for the enhancement of coverage and improvement of National Accounts data.

The AGA further states that The National Accounts division needs to be provided with data of high quality from various statistical areas, and in particular from business statistics.

**The expected activities are:**

- Support KAS for the estimation of annual GDP 2014 and its publication
- Support KAS for the revision of quarterly GDP- 2014
- Discussions on production cycle and revision policy for QNA

**Expected output:**

- Mission report – according to template
- Recommendations for further activities for improving NA in Kosovo

**Annex 1. Agenda - November 2015**

Day	Place	Time	Event
1	KAS	09.00	Planning the week
		09:30 – 16:00	Estimation of annual GDP 2014 by production approach, at current and constant prices
2	KAS	09:00-	Estimation of annual GDP 2014 by production approach, at

		16.00	current and constant prices- continuation
<b>3</b>	KAS	09:00-16.00	Estimation of annual GDP 2014 by expenditure approach, at current and constant prices
<b>4</b>	KAS	09:00-16.00	Estimation of annual GDP 2014 by expenditure approach, at current and constant prices - continuation
<b>5</b>	KAS	09:00-16.00	Balancing annual GDP by production and by expenditure approach , at current and constant prices
<b>6</b>	KAS	09:00-16.00	Balancing annual GDP by production and by expenditure approach , at current and constant prices- continuation
<b>7</b>	KAS	09:00-16.00	Revision of quarterly GDP 2014 based on annual data
<b>8</b>	KAS	09:00-16.00	Revision of quarterly GDP 2014 based on annual data-continuation
<b>9</b>	KAS	09:00-16.00	Preparation of the publication of annual GDP estimates for 2014
<b>10</b>	KAS	09:00-16.00	Recommendations Report writing Debriefing: Experts, Component Leader and RTA