

TWINNING CONTRACT

Support to the Statistics

Kosovo



MISSION REPORT

on

2.3.1.2 Continued support to implementation of Action Plan

Component no 2 National Accounts

Mission carried out by
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17-21 November 2014

IPA 2012

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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
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
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
SIDA	Swedish International Development Cooperation Agency
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 approach, at current and constant prices, for the year 2013 and for the publication of the revised time series, 2008-2012.

During this year, KAS implemented ESA 2010 in national accounts; the activities were focussed on the estimation of research and development (R&D), weapon system, non-life insurance, FISIM and output of central bank based on the new methodological requirements. The estimates were made for the period 2008-2012. The estimates continued based on the same methodology and the results were included in GDP 2013.

Along the implementation of ESA 2010, a revision of annual GDP by production and expenditure approaches, at current and constant prices was realised for the period 2008-2012. The revision was focussed on estimation of: (i) output and intermediate consumption of non-financial units based on SBS data; (ii) output of government (including a new method for CFC calculation), (iii) Household Final Consumption (HFC) based on commodity flow approach; (iv) imputed rent using cost approach based on data provided by Population and Housing Census; and (v) constant prices of government output and tax on products. The assessment of the new estimates of GDP by production and expenditure approaches was realised during the previous mission, carried out in the period 1-5 September 2014 and recommendations for improvements provided (see the mission report).

During the present mission, the estimates of GDP 2013 by production approach at current and constant prices were finalised and KAS published them in 25 November 2014, together with the revised time series. 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) and statistical data (prices as PPI, CPI and agriculture prices). The main data source for annual GDP compilation by production approach, Structural Business Survey (SBS), was not finalised and was not possible to use its results for national accounts estimates. For this reason, the estimates for 2013 are considered provisional.

In present, it is a time lag between the dissemination of GDP by production and by expenditure approach; usually, GDP by expenditure is published in September and by production two months later. For next year, KAS has in plan to improve the estimates and to publish the provisional GDP 2014 by both approaches in June 2015 (as sum of quarterly GDP) and the semi-final version in November 2015. To reach this objective, it was strongly recommended to improve the quality and timeliness of SBS in order to be used in national accounts compilation.

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 201 by production, 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 estimation of GDP by production approach started in the frame of IPA 2010, carried out in the period April 2011-September 2012; GDP in current and constant prices have been elaborated for the period 2008-2011. For the calculation of GDP for 2012, KAS had the technical support of IMF. Last year, IMF adviser proposed new methods to estimate the output and the intermediate consumption based on data from SBS and started a revision of GDP by production and expenditure approaches for the period 2008-2012. The revised data were available at the beginning of September 2014. The main problems of the revised data were presented in the report of the previous mission, carried out in the period 1-5 September 2014.

The present mission was focussed on GDP estimation by production approach, at current and constant prices for 2013 and any improvement of the revised data was made. 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;
- Statistical data concerning the prices (Producer Price Index (PPI), Consumer Price Index (CPI), Import Price Index (IMPI) and agriculture prices.

The SBS for 2013 was carried out in the period July-September 2014, but the results were not available at the moment of the mission and it was not possible to use them for the estimation of GDP. In this condition, the only available source for the estimation of output of non-financial activities was the value of turnover provided by Tax Authority.

The turnover of the year 2013, detailed by activity based on NACE rev.1 at 2 digits level, was analysed in comparison with the previous year; for certain activities there were inconsistencies in data. As example, in activity 13 of NACE rev.1, *Mining of metal ores*, the value of turnover decreased from 156.9 million euros in 2012, to 94.3 million in 2013; in activity 21 *Manufacturing of basic metals*, the turnover in 2013 was almost double than in 2012 (11.2 million, respectively 21.0 million euros). It could be possible that some big enterprises have been classified in different activities in data base from Tax Authority, but it was not possible to verify this hypothesis; the only person in KAS how has access to data base from Tax Authority was in a training in Paris. Due to these conditions, the estimation of output was based on the value of the previous year, the corresponding prices (PPI and CPI) and the nominal growth rate of turnover.

The output of government was estimated based on cost approach, using the detail information from Ministry of Finance. The output of financial sector was estimated based on data provided by Central Bank of Kosovo; FISIM was calculated based on the methodology established for the implementation of ESA 2010 and allocated to the users. Due to the lack of any information concerning the NPISHs from Ministry of Public Service, the output was estimated based on corresponding CPI and considering the real growth rate at the same level as previous year.

As any information was available from SBS concerning the intermediate consumption of non-financial activities, this was estimated based on its share in output from the previous year.

The estimates of output 2013 in the prices of the previous year were made using the corresponding PPI and CPI; for the intermediate consumption, the share of IC/O was used.

The time series and the estimates for 2013 of GDP by production approach have been realised using NACE rev.1. Based on the transition table realised during the mission carried out in the period 25-29 August 2014, the data were converted to NACE rev.2. The conversion was realized for current and constant prices.

3. Conclusions and recommendations

During the mission, detailed recommendations concerning the estimation of annual GDP by production approach were provided. It was recommended to improve the estimates of GDP by production approach for 2013 when new data sources will be available (specially the SBS) and to publish the results.

The entire revision of GDP by production and expenditure approaches, in current and constant prices for the period 2008-2012 represented a very difficult task of KAS, due to the magnitude of the changes and the human resources available. The revision referred to the implementation of the new estimation methods recommended by IMF and of ESA 2010 methodological changes. The revised data present many inconsistencies; it was not time, due to the constraint of deadline of data publication to deeply analyse the results and to improve

the estimates. For this reason, it was strongly recommended to continue the analysis of data and to improve the GDP estimates in current and constant prices for the period 2008-2013.

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 available due to the delay in the field operation and data processing. 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 growth-ing up methods and dissemination of data.

Annex 1



EU Twinning Project

KS12 IB ST 01

Support to Statistics

Terms of Reference:

Component 2: National Accounts

Activity 2.3.1.2: Continued support to implementation of Action Plan

Scheduling:

Tor –ready date: 03 November 2014

Start / end of activity: 17-21 November 2014

Reporting time: 28 November 2014

Mandatory result of the component:

Mandatory Result	Intervention logic	Benchmarks	Sources of information	Assumptions
2.3.1.2	Continued support to implementation of Action Plan	<ul style="list-style-type: none"> Mission report describing work done and work that needs to be completed before the next activity uploaded on project homepage 	<ul style="list-style-type: none"> Twinning quarterly reports Mission Reports Updated action plan 	<ul style="list-style-type: none"> Sufficient absorption capacity Low turn-over of staff involved in implementation Staff works on project related tasks in between missions Access to accurate primary statistics A detailed Terms of Reference is

				developed in a timely manner detailing tasks (input), expected output, participants of the activity and agenda
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Subject / purpose of activity: 2.3.1.2

This mission is a continuation of the mission 2.2.1.1

Further consultations and discussion with unit of National Accounts.

The road map for National Accounts found in tabel 2 in the mission report from activity 2.1.1 (Assessment and update of Action Plan) by Graversen and Ungureanu details a number of required steps in order to accomplish. The work plan elaborated by KAS last year and approved by the Government foreseen to have the estimation of annual GDP by expenditure approach available in September and by production approach in November 2013. The gap in the time is still in practice. One of the objectives of the twinning project will be to estimate and publish GDP by production and expenditure approaches, at the same time, in a balance form; this could be realised in 2015.

Expected output of activity 2.3.1.2

Mission report. Support for the estimation of GDP by production approach based on ESA 2010 for the year 2013

On job training on National Accounts

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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 in principle the improvement and increased coverage of annual National Accounts should be a first priority for KAS. The calculation of GDP using the production and the expenditure approach is of particular importance here.

The expected activities are:

- Analysis of data sources available for the estimation of GDP by production approach for 2013, at current and constant prices
- Support for the estimation of GDP 2013, by production approach

Expected output:

- Mission report – according to template
- Recommendations for further activities to ensure achievement of the goal of reviewing annual accounts by production approach

Annex 1. Programme, November 2014

Day	Place	Time	Event
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1	KAS	09.00-16:00	Planning the week
			Analysis of activities carried out since last mission in September
			Coffee break
			Analysis of activities carried out since last mission in September- continuation
2	KAS	09:00-12.00	Analysis of data sources available for GDP estimation by production approach for 2013
		12.00-13.00	Lunch break
		13.00-17.00	Analysis of data sources available for GDP estimation by production approach for 2013-continuation
3	KAS	09:00-12.00	Assessment of first estimates for GDP by production approach for 2013
		12.00-13.00	Lunch break
		13.00-17.00	Assessment of first estimates for GDP by production approach for 2013-continuation
4	KAS	09:00-12.00	Improvements of first estimates of GDP by production approach
		12.00-13.00	Lunch break
		13.00-17.00	Improvements of first estimates of GDP by production approach continuation
5	KAS	09:00	Improvements of first estimates of GDP by production approach -continuation
		10:30	Coffee break
		10:00	Recommendations for further activities
		12:00	Lunch break
		13:15-17.00	Debriefing: Expert, KAS Project Leader, Component Leader and RTA

Annex 2. Persons met

KAS:

National Accounts

Ilir Berisha, director of Economic Direction,

Xhevrie Fetahu, head of National Accounts Department,

Ylli Shala, Ilir Mazrekaj, Emine Bajrami Florije Krapic, Nysret Sylejmani, Besim Mehmeti

RTA Team:

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