TWINNING CONTRACT

Support to the Statistics

Kosovo

MISSION REPORT

on

Evaluation of work done in Business component and plans for the future

Activity no 3.9.1

Mission carried out by
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Table of contents

List of Abbreviations

CPI	Consumer Price Index
KAS	Kosovo Agency for Statistics
NACE	Statistical Classification of Economic Activities
SBR	Statistical Business Register
SBS	Structural Business Statistics
STS	Short Term Statistics
TAX	Kosovo Tax Authorities
ToR	Terms of Reference
VAT	Value Added Tax

1. General comments

This mission report was prepared within the Twinning Project „Support to Statistics". The mission devoted to the evaluation of project result within Component 3 of the project.

The concrete objectives of the mission were:
- To evaluate the status of business statistics at the end of the project
- To evaluate the results from the project
- To evaluate the sustainability of KAS to produce business statistics in the short and medium term

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 their stay in Kosovo, and which highly facilitated the work of the consultants.

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

2. Assessment and results

The overall impression from the evaluation of the work done within the business statistics has been that KAS has produced results to be proud of. In order to reach the results, priority had to be given to some parts of the project, and other parts had to be put on hold. Without prioritizing there is no doubt that the results would have been much less impressive.

In order to obtain sustainability and ensure the results are embedded in the organization for the future benefit, it is essential to
- document the work and procedures
- share tasks, e.g. more statistics are produced by the same group where all work together on each statistics
- train all staff in common systems or methodology
- introduce one or more business register days on which all staff in business statistics work on the register to update the outstanding cases on unfinished transactions and conflicts between sources

Statistical Business Register

During the project KAS has developed and implemented a statistical business register that complies with the EU requirements. This is in the view of the consultants a major and impressive accomplishment and an essential result that creates a solid foundation for the continued development of business statistics in Kosovo.

The main features of the SBR are
- The business register is regularly updated from administrative sources (the Business Registration Authority and Tax authorities) as well as survey data from primarily the special business register survey and the SBS survey, but all surveys contribute to the maintenance of the register.
- The dedicated business register survey is conducted annually. It is collected by interviewers using a tablet application with prefilled data from administrative and survey sources. All medium sized and large enterprises covering 70 percent of the

economy are included and the small enterprises are included as a rotation sample. At the latest survey, there was 82 percent response rate.

- The SBR solution is flexible and can be amended if changes are needed.
- From the administrative business units, the statistical units (enterprise and kind-of-activity unit Local units) is generated.
- Users of the business register can access data in two different ways: an Excel-based extraction tool and a graphic user interface.
- The Excel tool is used to extract a larger number of unit for analysis and sample frame and is initially a tool developed for National Accounts use.
- The graphic user interface is used by staff in the business statistics to search one or a few units and check information or history of the unit.

The main recommendations for future work are:

- The kind-of-activity-units (KAUs) are not implemented yet. The register can treat the units and a plan for data collection is outlined. Data from the business register survey are needed to update the KAUs.
- Although the GUI has been developed, it has not been taken into use in the statistical domains yet. This is primarily because the GUI was developed a short while before this mission. Presentation and implementation is planned for in the near future (next mission, last week of February.
- Before the business register can be used in full, access rights have to be allocated. Since some data elements (primarily turnover from TAX) are considered highly confidential, access to these data needs to be restricted. Technical restrictions are quite feasible, but an overall policy has to be decided upon. This is a decision to be taken at the management level.
- There is a number of non-technical procedures related to the updating and maintenance of the business register, e.g. treatment of unfinished transactions during updating (when the automated rules is not enough) and conflicts between NACE classification from different sources. If these tasks were allocated to staff from the different domains (e.g. SBS staff which already are done in some cases today), two main benefits can be obtained from this: first, the limited technical human resources dedicated to the SBR can be spent on the SBR development; and secondly, the use and understanding of the business register rules can be shared between more people.
- The register is designed to handle enterprise groups but so far no good data source for information on enterprise groups have been determined. Under the IPA 2014, a project will be undertaken to establish a methodology to identify and update the enterprise groups. It is important here to emphasize that although enterprise groups should be a priority, it must not occupy resources necessary to maintain the quality and to ensure the necessary development of the business register.
- In order to ensure a long term sustainability, it is important to make decisions on the organisation and staffing of the SBR. Whereas it might be difficult to increase the technical staff, the non-technical tasks should be allocated to either dedicated staff or be part of the tasks allocated to staff within the different statistical domains.

STS

The EU regulation on Short Terms Statistics divides this area of business statistics in four parts:

- Industry
- Construction
- Retail trade
- Services

During the project there have been missions on three of these areas. Short term statistics on services was not covered in this project.

The main priority has been given to begin publishing data on industry and retail trade, and this has been accomplished during the project. The area of construction is a more complex one, and especially the matter of getting administrative data on building permits has turned out to be a difficult task.

Industry

The main results on this subcomponent were:

- Regular quarterly publication of turnover and employment indices on sector level (B,C,D,E).
- Transition to Nace rev. 2.
- Plans for new SBR-based sample and introduction of estimation in accordance with the sample design.

It has not been possible to calculate production indices yet. The main obstacle is a lack of suitable price indices, but the price division in KAS is planning to start the production of the needed price indices during 2016. For the calculation of a production index, industry weights based on value added are also needed. This data should be available from SBS or NA.

The main recommendations for future work are:

- Calculation and publication of production indices, based on deflated turnover and weights based on value added.
- Finalize a new sample design, pick a new sample and introduce appropriate estimation methods.
- Publication of more detailed data (2-digit Nace codes) within section C, industry.
- Use of KAUs at least in cases where enterprises have significant secondary activity.

Construction

The work on construction statistics was given low priority and not many results were reached. Statistics on construction consists of three parts: the building permits, the index of production in construction and the index of construction cost.

No data on building permits existed and during the project, contact with two municipalities were established to assess the available data.

The existing data collection on the production of construction had been assessed and a revised questionnaire has been developed. The collected data on hours worked could be used as indicator of the production provided that NA could provide or support the development of a productivity coefficient.

The construction cost index is not done within the department of business statistics. There is still an issue with the inclusion of labour costs.

The main recommendations for future work are:
- The municipalities should be approached to establish what data is available on building permits and collect data fulfilling the minimum requirements of the STS regulation.
- Based on the data collection of production in construction, an index should be calculated based on the hours worked and a productivity index.
- A long term project could be the establishment of a building and housing register provided the necessary data can be obtained.
- Revision of the questionnaire of the production in construction in order to collect in a more direct manner the required indicators of production.

Retail trade

The main results on this subcomponent were:

- Regular quarterly publication of turnover and employment indices
- New sample design in place, including new industry groupings
- New sample to be drawn by 1st quarter 2016
- Plans for introduction of estimation in accordance with the new sample design
- Improved data collection, with the introduction of direct data entering in an iPad application, shortening the collection period and increasing the data quality
- Plans of reducing production time with 10-15 days by 2017 (from 85 days)

A remaining issue is the production of volume of sales by deflating turnover. There have discussions with the price division, but some work remains before being able to calculate the appropriate deflators.

The main recommendations for future work are:

- Continue the work on CPI-deflators and calculate volume of sales by deflating on the 2-digigt level (Nace 47), where the price index apparently is already available.
- Implement the new sample design, pick a new sample and introduce appropriate estimation methods.
- Continue the work with the application used for data collection and initiate testing of making the electronic questionnaire directly available for enterprises.

SBS

Structural Business Statistics is very important input to national accounts. During the project there has been a lot of activity on this component, focussing on how to provide good quality data which satisfies both the needs from NA and is in compliance with the EU regulation, without increasing the costs and burden for the responding enterprises as well as the SBS staff.

The questionnaire was redesigned to accommodate the wishes from national accounts and has since then been simplified, as the expansion of the questionnaire caused a significant drop in

response rates. There are now plans to use a reduced version of the questionnaire for smaller enterprises.

The data collection is difficult because of the very long and rather complicated questionnaire. This has a negative impact on the data quality and on the response rates as well. To reduce this negative impact, the data collectors are trained and there are plans to introduce an electronic version of the questionnaire, making it possible to implement various validation rules.

The main results on this subcomponent were:

- Redesign of questionnaire, introduction of reduced version for smaller enterprises
- Earlier start of data collection (April, used to be June), made possible by faster updates of SBR
- Improved timeliness, now preliminary data for NA by October, publishing by December
- New sample design in place, improvement planned for reference year 2015, which will reduce the sample size by at least 25 pct.
- More variables planned for publication in 2016.
- Increased use of administrative data (from SBR) and survey data from previous years and other surveys for the purpose of error checking, editing and imputation.
- Back casting of data from 2008-2012 to Nace rev. 2, using a conversion matrix, based on data from 2013.

Topics especially relevant for SBS are the quality of the survey data and the response rates. Measures have clearly already been taken to improve both of these. It seems to be a very good idea to use a reduced questionnaire for smaller enterprises, and the decision to reduce the sample size (by increasing the take-all threshold from 10 to 20 employees) focussing more on the larger enterprises could also add to that.

Currently the procedure for entering data in to the data base is that this begins only, when the entire data collection phase is completed. Also, important enterprises are checked, before the questionnaires are passed on for data entering. If possible it could probably be more efficient if the data entering could start as soon as there is a certain amount of data collected, and the data then checked after it is entered. Of course, it must be taken into account that it is sometimes an advantage to be able to contact a responding enterprise as soon as possible after reporting their figures, in case of missing data or possible errors.

When the data entering can actually begin of course also depends on when the application used is ready. This has to be altered whenever the questionnaire is changed, and it is recommendable now to decide on a final questionnaire design, which can hopefully stay unchanged for a longer time. This would also be good for quality checks and dissemination possibilities.

The main recommendations for future work are:

- Settle on a "final" design for the questionnaire
- Consider more variables for publication
- Examine possible use of an "electronic" questionnaire (maybe just an Excel file)

- Examine the possibility of starting the data entering phase earlier, before the data collection has ended.

Transport Statistics

With only one mission dedicated to transport statistics and with the limited resources available, KAS chose to have low ambitions within transport statistics.

From the mission a number of additional data elements were suggested to extend the Rail and Aviation statistics to be more in compliance with European requirements. It was also suggested to acquire access to the full detailed motor vehicle register to be used in road freight and road passenger transport statistics.

These areas are all responsibilities of the Ministry of Internal Affairs and the Ministry of Infrastructure. A preliminary meeting had been held with them where the request for data had been raised. The two parties had been positive to the request and a follow-up meeting was planned for in early 2016.

During the mission a pilot questionnaire for screening the road passenger transport by busses and taxis were developed. The questionnaire had not been implemented.

The main recommendations for future work are:
- In the short term, results from the meetings with the Ministry of Internal Affairs and the Ministry of Infrastructure should be pursued and, as a minimum, get more data on Rail and Aviation.
- The pilot questionnaire on bus and taxi passenger should be implemented as a first step against a more regular road passenger transport statistics.
- In the long term, road freight and road passenger transport statistics should be developed. A main prerequisite for this will be access to the detailed motor vehicle register. The development and implementation of the statistics will require substantial support from external advisors with experience in the set-up of the data collection.

Tourism

As with transport, the ambitions for tourism statistics was low and other areas were prioritized.

The one mission on tourism statistics concluded that the questionnaire on the supply side (hotels etc.) should be expanded to be in accordance with EU requirements. A revised questionnaire were developed during the mission.

No data are collected on the demand side and a pilot questionnaire and survey set-up to cover this were developed during the mission.

Neither of the questionnaires have been implemented.

The main recommendations for future work are:
- In the short term, the revised questionnaire on supply side should be implemented and the pilot questionnaire on demand side should be tested.

- A new data collection on the demand side should be established.
- Dissemination should be changed in accordance with the collected indicators.

3. Conclusions and recommendations

In the view of the experts the progress made and the results achieved in the area of Business Statistics in Kosovo during this project are very impressive. There is now a well-functioning SBR, which can serve as an excellent foundation for the further development of existing and new statistics. The SBR is also essential for the maintenance and consolidation of the production already in place.

In addition to the SBR, in the project plan the emphasis within the business statistics component was on SBS and within STS primarily on industrial production and turnover and on retail trade. The KAS staff has supported this by prioritizing their work accordingly, and because of this there have been significant improvements in especially these three statistics:

- SBS have improved timeliness, optimized the questionnaire and continue to work on the quality of the survey data. A new sample design is also planned.
- Industrial turnover and employment indices have been published quarterly for some time now, and the work continues towards the calculation of production indices.
- Turnover and employment indices on retail trade are also published quarterly, new data collection methods have been introduced, and the work with publishing deflated turnover continues.

Methodology training have been an important part of many missions, aimed at the specific statistics, but also of a more general character, and the introduction to using R for sampling and estimation is of great importance. The foundation for improving sample methods and estimation is now in place and the experts recommend giving this area a high priority.

In the view of the experts the improvements made are highly sustainable, as they have all been implemented and driven by the KAS staff. To be able to secure sustainability for future development it is recommended to have a continued focus on prioritizing the work and avoid focussing on many different improvements simultaneously.

When choosing the areas to develop, projects that can improve statistics across domains, should have high priority. KAS has started data collection through tablet application with the interviewer. The next step could naturally be web based questionnaires with online validation. The benefits in shorter data collection time and higher data quality benefits all in saved time.

The main recommendations for future work are already mentioned above in this report. It is however highly recommended to also revisit previous mission reports, where in many cases there are important additional information and much more detail in the description of the suggested actions.

Annex 1. Terms of Reference
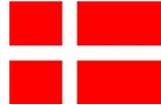
EU Twinning Project
KS12 IB ST 01
Support to Statistics

Terms of Reference:

Component 3:   Business Statistics
Activity 3.9.1:   Evaluation of work done in Business component and plans for the future

Scheduling:
ToR –ready date: **25 January 2016**
Start / end of activity: **8-9 February 2016**
Reporting time: **17 February 2016**

Mandatory result of the component:

Mandatory Result	Intervention logic	Benchmarks	Sources of information	Assumptions
Mandatory Result 3.1.1 3.9.1	**Overall Assessment of Business Statistics and prioritization af Actions** **Evaluation of work done in Business Component and plans for the future**	• Mission reports describing the status of Business Statistics in Kosovo uploaded on project homepage • Road map / implementation plan for further interventions designed to improve the quality and timeliness of business statistics developed	• Twinning Quarterly reports • Mission reports • Roadmap	• Sufficient absorption capacity • Low turn-over of staff involved in implementation • Staff works on project related tasks in between missions • A detailed Terms of Reference is developed in a timely manner detailing tasks (input), expected output, participants of the activity and agenda

Subject / purpose of activity: 3.9.1 activity
Consultations and discussions with Business Statistics Divisions . At the end of the Twinning checking and evaluating the state of Business Statistics in Kosovo. Furthermore to evaluate the short to medium term sustainability of KAS commitments to produce and publish business statistics data after the Twinning

Expected output of activity 3.9.1:

Mission report. Stating results of the evaluation and comparing the result with the expected mandatory results. Furthermore commenting on each mandatory result for Component 3 Business Statistics
Mandatory results of Component 3, Business Statistics, Twinning project KAS

Mandatory result	Intervention logic	Benchmarks
3.1	Improving Structural Business Statistics, including data collection, data processing, timeliness and coverage	• Sampling design in SBS improved in compliance with EU standards by end of 4th project quarter • Timeliness of SBS publication improved by 8th project quarter • Procedures for delivering SBS results for GDP calculation improved by 8th project quarter
3.2	Mandatory result 3.2 updated by addendum #1 approved 8 April: Preparing new short-term indicators, including industrial production	• Methodology for retail trade and industrial production index improved by end of 4th project quarter • Survey outline for tourism, construction, transport and ICT statistics prepared by 8th project quarter
3.3	Preparing short-term statistic according to NACE Rev. 2	• A number of STS time series revised according to NACE Rev. 2 by 8th project quarter.
3.4	Improving of the Statistical Business Register	• Procedure for regular updating of the Statistical Business Register defined by end of 6th project quarter • Plan for improving accuracy of the population of business entities in the Statistical Business Register developed by 8th project quarter • Work on a reworked SBR / software solution is still ongoing and will continue to the end of the project.
3.5	Improved understanding of methodological issues	• Staff from Business Statistics trained in various methodological issues relevant to their daily jobs

KAS resources:
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Description of the background for the activity
By the end of quarter seven 29 Twinning missions on Business Statistics have been accomplished.

During the first two assessment missions in February 2014 and May 2014 the consultants found that KAS has a relatively good foundation for business statistics in terms of good administrative registers covering the business community and good relationship and cooperation with the relevant authorities.

A draft road map was constructed and was been agreed upon between KAS and the experts.
The road map does not deal with details and within each component short term experts and KAS staff must agree on the specifics based on the ToR.
Based on the road map the consultants conclude that the specified goals are achievable with the available resources.

Activities to be undertaken in preparation for the mission:
- All mission reports are available at dst.dk/kosovo

Annex 1. Program, - February 2016

Day	Time	Event
1	10:00	Planning the week and the agenda Consultations with key persons
2	09:00-16:00	Program to be completed
3	09:00-12:00	Report writing Debriefing: Experts, Component Leader and RTA

Annex 2. Persons met

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Per Knudsen, RTA
Nora Zogaj, RTA Assistant
Interpreter (some missions)