

TWINNING CONTRACT
Support to Statistics

Kosovo



MISSION REPORT

on

Short term statistics surveys IIIa - Construction

Component no 3.4.6a

Mission carried out by Roberto Iannaccone, Istat, and Erik Nielsen, Statistics Denmark

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Author's name, address, e-mail

*Erik Nielsen
Statistics Denmark
Sejrøgade 11
DK-2100 Copenhagen Ø
Denmark
Tel: +45 3717 3541
Email: eni@dst.dk*

*Roberto Iannaccone
Istat
Via Cesare Balbo 16
IT-00184Roma
Italy
Tel: +39 6 46737309
Email: iannacco@istat.it*

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List of Abbreviations

KAS	Kosovo Agency for Statistics
ToR	Terms of Reference
KAU	Kind of activity unit
SBS	Structural Business Statistics
STS	Short Term Statistics
VAT	Value-added tax
IPC	Index of Production in Construction
BP	Building Permits
CoCi	Construction Cost Index
NA	National Account

1. General comments

This mission report was prepared within the Twinning Project „Support to Statistics”. It was the first mission to be devoted to STS and Construction Statistics within Business Statistics Component of the project. The mission was aimed at defining a strategic plan forming the base of the further implementation of the project in this statistical area.

The concrete objectives of the mission were:

- to introduce the EU requirements for the Construction Statistics according to Council Regulation (EC) No 1158/2005 amending CR 1165/98 19 May 1998 concerning short-term statistics
- to assess the current stage of the statistical production process for the Construction Statistics in KAS, with regard to national publication and to EU requirements and with special focus on the Questionnaire and the sample regarding these statistics
- to assist KAS with recommendations and actions to take the necessary steps of getting the Construction Statistics ready for national publication
- to plan the next steps for further missions and for suggestions for the Terms of Reference for next activities (3.4.6b)

The consultant would like to express his/her thanks to all officials and individuals met for the kind support and valuable information which he/she received during the stay in Kosovo, and which highly facilitated the work of the consultant.

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 Istat.

2. Assessment and results

On the first day of the mission, the experts proposed some changes to the Agenda which was accepted (see ToR below). The purpose was to establish a common frame of reference for the mission.

The first two days were focused on presentations of the experts and discussions of these:

- A general introduction to EU requirements for the Construction Statistics, including the proposals for changes of the STS-regulation. It was underlined that there were different methods to fulfill the requirements – depending on conditions in the individual country - and the experts recommended that KAS should consider to use CPA instead of CC (Building Permits)
- Index of Production in Construction (IPC)/Italy: the monthly IPC is calculated through an indirect approach using different sources both administrative data on hours worked and information from other surveys in Istat. The hours worked need to be adjusted for changes in productivity. In order to do that a production function is estimated at every change of the base year using data from structural business statistics.
- IPC/Denmark: The monthly IPC is based on the existing quarterly index of gross value added in construction from the National Account (NA) and the months between the quarters are extrapolated by the domestic sales in construction (VAT-reports), deflated by Net Price Index. Revisions are made back for the total series. The experts recommended that KAS should plan a policy for revisions when they will start to release indicators.
- Building Permits (BP)/Italy: the BP is released using administrative data collected through a questionnaire by municipalities when a firm or a private person needs to apply for a building permit. In the case building permits are not released in the reference period the municipality send to Istat a form reporting no activity. The survey is one of the oldest in Istat and was

planned to release annual data. In order to meet the requirements in the STS regulation for the production of quarterly indicators a subsample of municipalities has been drawn and an estimation method has been implemented to take into account the non-response mechanism.

- BP/Denmark: The quarterly statistics for BP are based on an administrative register, Building- and Dwelling Register, maintained by the municipalities. The register contains all buildings cases (permitted, started and completed), with all buildings and dwellings – unique identified. But the register is affected by many delayed reporting from the municipalities, so revisions had to be done. The experts underlined the importance of unique identifications of building to avoid duplicates.
- Cost of Construction (CoCi)/Italy: Istat produces an index of cost construction through the results of other surveys already existing together with some administrative sources. In such way the overall index is released together with the indexes for input materials, labour costs, transport and renting cost. Recently data have been started to be released monthly and using chain-linked indices.
- CoCi/Denmark: Statistics Denmark produces a quarterly input price index. The sources are 8 specific houses (typical for the current construction of dwellings), the Price index for domestic supply (materials and equipment) and the Index of average earnings in the private sector (labour cost). The construction process is divided in different main processes (= weights) and every main process is characterized by one or more representative “elements”, which quarterly are adjusted by the price- and labour cost index. There was a discussion about input- versus output price index (3 different methods).

KAS described shortly the situation concerning the construction statistics in Kosovo. At the moment, KAS has not published anything for the sector. They have information about the stock of building, but nothing about building permits.

KAS focused on the enterprises in the construction sector, but the experts recommended that KAS took contact to the municipalities, which issued the building permits, to hear what they have and what could/will deliver. It was agreed that KAS would report about these contacts to the experts (a revised questionnaire) and arranging a meeting with some representative from the municipalities in the next mission.

Regarding IPC, KAS has a quarterly questionnaire, covering the construction sector. The questionnaire was prepared together with NA. The survey is a stratified survey, based on the Business Register and covering 200 of the biggest enterprises (covering 80 % of total turnover). The response rate is only about 50 %. The experts recommended that KAS should conduct a quality analysis of the survey.

After going through and a discussion of the questionnaire the expert are of the opinion that the questionnaire can be used to produce IPC, in one of two ways:

1. Total turnover: this method needs a kind of deflator, typically Cost of Construction, but other index can be used
2. Hours worked: this method demands that hours worked should be adjusted for productivity and only hours worked from workers on the construction site should be included.

Before the decision on which method to use, the experts recommended that there should be a meeting with NA. Maybe, NA had a useful deflator and can make adjustments for productivity?

On the third day the experts presented an outline for their recommendations and suggestions for actions before the next mission. After a discussion of the recommendations and actions, some changes were agreed upon.

KAS was unsure about the contact to the municipalities and need some inspiration/help to this. It was agreed that the experts would make a draft questionnaire for BP – based on the questionnaire used in

Italy and the questionnaire developed in Bosnia. This questionnaire could KAS use as inspiration to the contact.

In the following day the Guidelines for the compilation of IPC from Eurostat have been presented pointing out the different methods that can be used for the IPC calculation and questions and problems concerning the deflator and the adjustment for productivity were further discussed.

The experts also presented a revised list over recommendations and actions before next meeting. After a short discussion of the list, all come to an agreement.

Finally, the expert presented a draft questionnaire for BP, including an in-depth analysis of the CC (Classification of Construction). KAS promised to send a revised questionnaire to the experts after the contact with some municipalities.

3. Conclusions and recommendations

At the moment, KAS does not produce data on construction sector. Regarding this starting point and the scarce resources KAS should – until the next mission – only focus on:

- an overview over what information the municipalities hold regarding building permits and a possible access to these informations
- the conduction of a quality report on the quarterly survey
- the decision concerning the method KAS will use to produce IPC

The remaining issues and recommendations as described below should be addressed later in the process. The next mission is planned to take place in April or May 2015.

The experts' recommendations:

Building permits

1. Contact to the municipalities
 - Meeting next mission. Before the meeting, KAS will contact some municipalities and presenting them a draft version of a questionnaire for building permits
 - Subjects: What do they have? What can/will they deliver?
2. A policy of revisions (also in general)
 - What do KAS want to revise?
 - How long back in time?
 - Shall KAS make adjustments for delays, non-response, etc.?
3. Building and Housing Register
 - KAS ought to create a building and housing register, including both stock and the building activity
 - Contacting the relevant Ministry for possible changes of the law?
4. Identification
 - Establishing a unique identification of building/unit
 - Address not useful!
 - X,Y-coordinates?

Index of Production in Construction

1. Holding a meeting with KAS's National Account to discuss the questionnaire
 - Subjects: What does NA need? Does NA accept changes? Does NA calculate a productivity factor and does NA have a deflator (constant price)?
2. Analyses of the quality of the data for 2012 and 2013:
 - Are the data good enough or can they be improved?

- Demands for fulfilments?
3. Issues:
- Foreign companies – How are they handled?
 - Subcontracting – How to avoid double counting?
 - Could be possible to delete "half production"?
 - NACE: In the guideline to the questionnaire, it should be underlined that it is not compulsory to fill out the question concerning NACE, rev. 2

Action	Deadline	Responsible person
Contact the municipalities concerning the Building Permits	Before next mission	KAS
Agreement on meeting with representative from municipalities	Before next mission	KAS
Draft for a questionnaire concerning building permits	17. October 2014	Experts
Decision on using CC or CPA	Before next mission	KAS
Agreement on meeting with representative from National Account	Before next mission	KAS
Analysis of data for 2012 and 2013	Before next mission	KAS and Experts
Construction Cost Index – part of this mission?	Before next mission	KAS, Experts and RTA

Annex 1. Terms of Reference

Component 3: Business Statistics

Activity 3.4.6a: Short term statistics surveys IIIa - Construction

Scheduling:

ToR –ready date: 29 September 2014
 Start / end of activity: 13 – 17 October 2014
 Reporting time: 24 October 2014

Mandatory result of the component:

Mandatory Result	Intervention logic	Benchmarks	Sources of information	Assumptions
Mandatory Result 3.4.6.a	Short Terms Statistics Surveys IIIa - Construction	<ul style="list-style-type: none"> Mission report uploaded on project homepage Recommendations for improved survey and sampling frame given Road map for implementation of survey developed 	<ul style="list-style-type: none"> Twinning quarterly reports Mission Report Roadmap 	<ul style="list-style-type: none"> Sufficient absorption capacity Access to administrative and survey data Low turn-over of staff involved in implementation Staff works on project related tasks in between missions

Subject / purpose of activity 3.4.6a:

Review of questionnaire and sample regarding surveys on construction

Expected output of activity 3.4.6a:

Mission report – describing the status of the work with construction. Special attention should be on the Questionnaire and also the sample regarding these statistics. Mission report should also propose action to be taken at KAS to improve these statistics. Suggestions for Terms of reference for next activities (3.4.6b)

KAS resources:

Mr. Ismajl Sahiti, Head of Division, ismail.sahiti@rks-gov.net (Component Leader)

Mr. Hysni Elshani, Head of sector, hysni.elshani@rks-gov.net

Mr. Muhamet Kastrati, Manager of database, muhamet.kastrati@rks-gov.net

Ms. Valdete Navakazi, Senior Officer for STS, valdete.navakazi@rks-gov.net

Ms. Luljeta Krasniqi, Senior Officer for SBS, luljeta.krasniqi@rks-gov.net

Mr. BekimBojku, Senior Officer for energy statistics, bekim.bojku@rks-gov.net

KAS Twinning team:

Project Leader Mr. Ilir T. Berisha, Director of Economic Statistics and National Accounts, Ilir.T.Berisha@rks-gov.net

RTA Counterpart Ms. Teuta Zyberi, International Relations Officer, teuta.zyberi@rks-gov.net

Member state resources:

Mr. Erik Nielsen, Head of Section, Statistics Denmark, eni@dst.dk

Mr. Roberto Iannaccone, Researcher, Istat, iannacco@istat.it

Twinning resources:

Mr Per Knudsen, RTA, pkn@dst.dk

Ms Nora Zogaj, RTA Assistant, nzogaj@yahoo.com

Description of the background for the activity

The AGA report states that the European Short-term Business Statistics comprise monthly and quarterly economic indicators such as the index of industrial production, output prices, construction production, retail trade turnover etc. Short-term data on all service activities are also to be provided.

KAS started with first quarterly pilot surveys only in 2010. The surveys cover variables for the sectors Industry and Construction according to NACE Rev.1.

The sampling frame is the Statistical Business Register, which needs to be improved.

Further it is stated that as KAS started with STS statistics only in 2010, it is clear that there are remaining challenges which have to be solved before any output with sufficient quality can be produced. KAS will need further support to complete the pilot and to develop a full scale survey.

In the first Twinning mission on Business Statistics, “Overall Assessment of Business Statistics and Prioritization of Actions (3.1.1)” the two Danish experts Peter Ottosen and Søren Netterstrøm states: If possible, a priority should be given to provide support to KAS to make a publication on The Industrial Production and Construction indices.

It will be necessary to evaluate of the current data collection methodology and questionnaire with a view to EU-regulations.

A long term development plan for the statistics will be prepared in order for KAS to fulfil the requirements of the EU-legislation. (See report for more background information)

Activities to be undertaken in preparation for the mission:

List of attached documents

- Adapted Global Assessment report (AGA)
- Program of official statistics 2013 -2017
- Strategic Development Plan 2009- 2013
- Mission Report on Overall Assessment of Business Statistics and Prioritization of Actions Component no 3.1.1 (Ottosen & Netterstrøm)
- Mission Report on Industrial Production Index in Kosovo I – Introduction of EU Methodology and Requirements component 3.3.2a (Kristensen & Vind)

If any relevant background information is available KAS must supply this to the experts one week before the mission takes place

The expected activities are:

- Review of questionnaire
- Review of methodology

- Development of detailed plan for actions by the twinning program on construction statistics

Expected output:

- Mission report – according to template
- Reviewed questionnaire and methodology on construction statistics
- Detailed plan for further activities to be completed in component 3.4 by the twinning program

Annex 1. Program, - October 2014

Day	Place	Time	Event
1	KAS	10:00	Introductory remarks to this part of component 3
		10:15	MS: Presentation of the demands in STS-regulation concerning construction statistics
		10:30	Coffee break
		11:00	MS: The work with Index of Production in Construction Statistics in Italy – the organization of the work and the data sources
		12:00	Lunch break
		13:30	Continued - MS: The work with Production in Construction in Denmark – the organization of the work and the data sources
		14:30	Coffee break
		15:00	Continued - MS: The work with IPC in Denmark – the organization of the work and the data sources
2	KAS	09:00-12:00	MS: The work with Building Permits Statistics in Italy and Denmark – the organization of the work and the data sources
		12:00	Lunch Break
		13:30	MS: The work with Cost of Construction Statistics in Italy and Denmark – the organization of the work and the data sources
		15:00	KAS: Overview of the work with Construction Statistics in Kosovo with focus on those parts of the system where improvements are asked for, including presentation on the process, questionnaire and status of data collection
3	KAS	09:00-10:00	MS: Presentation of the Guidelines for Index of Production in Construction
		10:30	Coffee break
		11:00	MS: Presentation a draft version of their recommendations and plan for Actions before next mission
		12:00	Lunch break
		13:30	Continued – Presentation a draft version of their recommendations and plan for Actions before next mission
4	KAS	09:00	Ad-hoc and hands-on meetings: Wrapping up
		10:30	Coffee break
		10:45	Workshop: Agreement on recommendations and time plan
		12:00	Lunch
		14:00	Debriefing with BC Project Leader: Recommendations, time plan and implied work program for BC
5	KAS	09:00	Report writing
		10:30	Coffee break
		10:00	Report writing
		12:00	Lunch break

Annex 2. Persons met

KAS:

Mr. Ismajl Sahiti, Head of Division, ismail.sahiti@rks-gov.net (Component Leader)

Ms. ValdeteNavakazi, Senior Officer for STS, valdete.navakazi@rks-gov.net

Mr. BekimBojku, Senior Officer for energy statistics, bekim.bojku@rks-gov.net

Ms. Violeta Syla, new staff

Ms. Saranda Berisha, new staff

RTA Team:

Per Knudsen, RTA

Nora Zogaj, RTA Assistant

Interpreter (some missions)