

TWINNING CONTRACT
Support to Statistics

Kosovo



MISSION REPORT

on

**Implementation of NACE Rev 2 – Import Prices and Production
Prices**

Component no 3.4.1/3.4.2

Mission carried out by Janni Stavard and Connie Andersen, Statistics Denmark

8.-12. September 2014

IPA 2012

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Table of contents

1. General comments.....	4
2. Assessment and results.....	4
3. Conclusions and recommendations	5
Annex 1. Terms of Reference	6
Annex 2. Persons met.....	10

List of Abbreviations

KAS	Kosovo Agency for Statistics
SBS	Structural Business Statistics
SBR	Structural Business Register
STS	Short Term Statistics
PPI	Producer Price Index
IMPI	Import Price Index
ToR	Terms of Reference

1. General comments

This mission report was prepared within the Twinning Project „Support to Statistics”. It was the first mission to be devoted to Implementation of NACE Rev. 2 within the Business Statistics component of the project. The mission was carried out in parallel to a SCB lead intervention in the area of price statistics that is sponsored by the Swedish organization SIDA. A better coordination of requests from KAS to the two support programs would make it possible to have a better scheduling and to have a better use of resources at KAS. Besides that, it is a problem for the day to day work with the conversion of the price indices that the conversion key is not available and that the status of the key is uncertain even though this was mainly due to unfortunate circumstances.

The concrete objectives of the mission were:

- To review methodology used for assigning NACE Rev. 2 codes to existing price collection.
- To assist the implementation of NACE rev. 2 for production and import prices.
- To assist the conversion of historic production and import price data into NACE rev. 2

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

The 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 aim of this mission was to assist KAS in implementing NACE Rev. 2 in their Producer and Import Price Indices in order for KAS to fulfil the Council Regulation (EC) No 1165/98 concerning short-term statistics. The conversion of the Producer and Import Price Indices is a prerequisite for producing the Industrial Production Index according to NACE Rev. 2, as the Producer Price Index is used as a deflator when compiling the Industrial Production Index.

Subsequent missions in the project will work with implementing NACE rev. 2 in SBS, SBR and other STS statistics.

The KAS resources that were made available for this mission were not the ones directly responsible for the Producer and Import Price Indices. The KAS staff participating in this activity was staff responsible for the other STS statistics, SBS and SBR. Therefore they were not the right people to assist with the conversion of the price indices.

The Swedish organization SIDA has a long term project that runs parallel to the twinning project. They have had several missions concerning the Producer and Import Prices Indices. Parallel to this twinning mission they had a mission with the same focus as ours. Therefore it was decided that the Danish twinning experts should work together with the Swedish SIDA experts who had experience with the methods used for PPI and IMPI in Kosovo.

The first day of the mission was used to clarify and coordinate with the Swedish experts. The agenda from the ToR was revised and we tried to find out if the people from Statistical Business Register (SBR) could deliver a file with turnover values to be used in the NACE conversion.

The next days were spend on reading the Swedish mission reports from previous missions, looking at and reviewing the conversion of prices from NACE Rev. 1 to NACE rev. 2 made by KAS. Mr. Ibish

Asllani, Chief of Price Section, explained how they had made the conversion, and how they used the EU correspondence table. Afterwards we evaluated this work and decided if we found it reasonable. During this work we found some errors that were passed on to the Swedish experts, who were responsible for calculating new weights and converting the historic indices and through them to KAS.

The errors we found were coding errors in the NACE Rev. 2 code or in the NACE Rev 1 code, which in some cases led to errors in the NACE Rev. 2 code. Errors in the NACE code means that products are placed wrong which can lead to errors in the published sub-indices. The errors were not many and we do not believe that they have led to visible errors in the sub-indices. Although they should be corrected in this process since they may affect the conversion as the weight distribution may be wrong. Apart from these errors, the coding made by KAS according to the EU correspondence table seemed reasonable.

In order to calculate the new weights for NACE Rev. 2, it is necessary to have a key for the cases where one NACE Rev. 1 code becomes two or more NACE Rev. 2 codes. In these cases the weights needs to be divided in accordance with relevant turnover values. There were a lot of discussions concerning whether or not this key actually exists. At the end it was agreed that Mr. Muhamet Kastrati, Manager of database, has constructed a key. Unfortunately he was sick during the entire mission. Therefore it was decided, together with the Swedish experts, to use a proportional allocation. For the price indices it seems that there are no cases where one NACE Rev. 1 code becomes more than one NACE Rev. 2 code. A proportional allocation is therefore only made in the cases where we found errors in the existing NACE Rev. 1 code. It was agreed that the Swedish experts will finish the conversion of the price indices and use the key if it appears.

The people at KAS that are responsible for the conversion of SBR told us that this conversion is expected to be finish during September 2014. They told us that Mr. Muhamet Kastrati, Manager of database, has constructed a key with turnover values for NACE Rev. 1 and NACE Rev. 2. Unfortunately Mr. Muhamet Kastrati was sick during the entire mission so this could not be confirmed. Other activities may be scheduled when the conversion key is finalized and available.

In order for KAS to be fully compliant they need to switch from quarterly indices to monthly indices. KAS collects approximately 400 prices for their Import price Index and approximately 500 prices for their Producer Price Index, and with help from SCB they change weights yearly.

3. Conclusions and recommendations

We found some coding errors in the NACE Rev. 2 coding that KAS made. We informed the Swedish SIDA experts about these errors to incorporate in the calculation of historic data based on NACE Rev. 2. It is important that these coding errors in the NACE rev. 2 coding are also implemented in the quarterly price collection.

We recommend that the Price Statistics Division work more closely with other divisions within the Economic Statistics Department, specifically the Business Statistics Division. It is essential for sampling, weight calculations and NACE conversion to have reliable, accurate and up to date information regarding the SBR data.

It is not only recommendable but highly necessary that KAS in the future will be able to do all calculations independently from external experts.

Annex 1. Terms of Reference

Terms of Reference:

Component 3: Business Statistics

Activity 3.4.1/ 3.4.2: Implementation of NACE Rev. 2 – Import Prices and Production Prices

Scheduling:

ToR –ready date: 25 August 2014
 Start / end of activity: 8 – 12 September 2014
 Reporting time: 19 September 2014

Mandatory result of the component:

Mandatory Result	Intervention logic	Benchmarks	Sources of information	Assumptions
Mandatory Result 3.4	<p>Implementation of NACE Rev.2 – Import prices</p> <p>Implementation of NACE Rev.2 – Production prices</p>	<ul style="list-style-type: none"> Mission report uploaded on project homepage Detailed roadmap for conversion of survey on Import/Production Prices to NACE Rev.2classification 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 3.4.1/3.4.2:

Reviewing methodology used and facilitating production of Import Prices and Production Prices according to NACE Rev.2.

Expected output of activity 3.4.1/3.4.2:

Mission report – describing the status of the work with Import Prices and Production Prices and the methodology used. The Mission report should also propose action to be taken at KAS to improve these statistics. Suggestions for Terms of reference for other activities in Component 3.4.

KAS resources:

Mr. Ismajl Sahiti, Head of Division, ismail.sahiti@rks-gov.net (Component Leader)
 Mr. HysniElshani, Head of sector, hysni.elshani@rks-gov.net
 Mr. MuhametKastrati, Manager of database, muhamet.kastrati@rks-gov.net
 Ms. ValdeteNavakazi, Senior Officer for STS, valdete.navakazi@rks-gov.net
 Ms. LuljetaKrasniqi, 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:

Ms. Jannie Stavad, Head of Section, Statistics Denmark, sta@dst.dk
 Ms. Connie Andersen, Senior Head Clerk, Statistics Denmark, cni@dst.dk

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. The classification to be used as from 2009 is NACE Rev. 2. 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 data 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 continued overall Assessment of Business Statistics and Prioritization of Actions Component no 3.1.2 (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 methodology
- Support to conversion of surveys to NACE 2
- Development of detailed plan for actions by the twinning program

Expected output:

- Mission report – according to template
- Detailed plan for further activities to be completed in component 3.4 by the twinning program

Annex 1. Program, - September 2014

Day	Place	Time	Event
1	KAS	09.30	Introductory remarks to this part of component 3
		09:45	KAS: Overview of the work with Import Prices in Kosovo with focus on those parts of the system where improvements are asked for
		10:30	Coffee break
		11:00	MS: The work with Import Prices in Denmark – the organization of the work and the data sources
		12:00	Lunch break
		13:30	Continued - MS: The work with Import Prices in Denmark – the organization of the work and the data sources
		14:30	Coffee break
		15:00	Workshop: Comparison of data sources and methodologies in KAS and MS
		16:30	Preliminary conclusions. Program for day 2 and 3 to be agreed upon
2	KAS	09:00-12:00	KAS: Presentation on the process and status of data collection
		12:00	Lunch Break
		13:30	Discussions and detailed plan for conversion of surveys to NACE 2
3	KAS	09:00-16:00	Discussion and plan methodology concerning the surveys
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
		15:00	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
		13:15	Debriefing: Experts, Component Leader and RTA

Annex 2. Persons met

KAS:

Mr. Ismajl Sahiti, Head of Division

Mr. HysniElshani, Head of sector

Ms. ValdeteNavakazi, Senior Officer for STS

Ms. LuljetaKrasniqi, Senior Officer for SBS

Mr. BekimBojku, Senior Officer for energy statistics

Mr. Ibish Asllani, Chief of Price Section

Mr. Hasan Berisha, PPI

Mr. Hamdi Jupolli, IMPI

RTA Team:

Per Knudsen, RTA

Nora Zogaj, RTA Assistant