

TWINNING CONTRACT

Support to Statistics

Kosovo



MISSION REPORT

on

**Activity 2.6.5: Continued support to the compilation of national
accounts in Kosovo. Special focus on SUT**

Component no 2 National Accounts

Mission carried out by
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IPA 2012

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List of Abbreviations

CPA	Statistical Classification of Products by Activity in the European Economic Community
HBS	Household Budget Survey
KAS	Kosovo Agency for Statistics
NACE	Statistical Classification of Economic Activities in the European Community
NPISH	<u>N</u> on- <u>P</u> rofit <u>I</u> nstitutions <u>S</u> erving <u>H</u> ouseholds
PRODCOM	List of PRODUcts of the European COMmunity
SBS	Structural Business Statistics
SUT	Supply and Use table
ToR	Terms of Reference

1. General comments.

This mission report was prepared within the Twinning Project „Support to Statistics”. It was the sixth mission to be devoted to compilation of Supply and Use tables for 2013 within Component 2, National Accounts, of the project. It was a continuation - after a one week's pause - of the previous mission that was aimed at transformation of source data into the standardized format used for input into the Supply and Use framework.

The concrete objectives of the mission were:

- As the information in SBS for 2013 for trade and construction was incomplete, totals for output and input of these industries had not yet been estimated. This mission should repair and complete the SBS-data that are needed for this purpose.
- The outputs and inputs of NPISHs should be distributed by industries and products and brought on the same standardized form as other data inputs.
- The initial version of targets for the SUTs' column totals from the previous mission should be validated.
- Work on the product structures of industry outputs and inputs should be continued.

The consultant would like to express their thanks to all officials and individuals met for the kind support and valuable information which he 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.

2. Assessment and results

2.1 Coding of source data.

From previous missions data for several areas have been coded and brought on the standardized form used for input into the SUT-framework. Such data cover the following areas:

- Agriculture
- VAT-statistics
- SBS-statistics for 2012
- Imports and Exports of goods
- The household budget survey
- Input and output for general government as well as the detailed product-structure of government inputs.
- Taxes and subsidies on products distributed by the products defined for the SUT.
- PRODCOM statistics for 2014

The SBS statistics for 2013 should be used for decisions on the magnitudes of targets for total industry output and input. Due to a high number of incomplete records within trade and construction, the data for these industries still needed to be corrected manually before their use as source for output and input.

2.2 SBS-statistics for 2013.

In the previous mission the SBS-statistics had been used – together with VAT-statistics and values from the current national accounts – in the decisions on a first version of targets for industry-totals for

production and intermediate consumption. In most cases the levels of totals in SBS are credible when compared to the two other sources. It was, however, obvious that the values for construction and trade could not be used immediately, as it turned up that the records for many enterprises with significant output had no recorded values for purchases of goods for resale, raw materials or other inputs. Missing values are now imputed based on relations from those records that seem complete.

Looking at the individual records of the SBS it is striking that for many enterprises gross value added is significantly lower than the value shown for compensation of employees. Where information on wages and salaries is present in the SBS it has been validated by comparison to official sources and is generally considered to be reliable. This seems to indicate that GVA is underreported in such cases. Even when 2013 is considered to be a year of economic crises it is assumed that the “true” GVA will usually cover compensation of employees if not also consumption of fixed capital. Possible exceptions are enterprises that are selling out from their shrinking inventories and seem to be closing down. Despite the possibility that some enterprises experience significant losses, production value should - as a general rule - be increased as much as required to eliminate negative values of operating surplus/mixed income.

For each industry a supplement for underreporting will be calculated and added as an explicit adjustment to the production value that is based on SBS and/or VAT statistics.

Underreporting by units that are covered by statistics or administrative data is one of the components of adjustments for non-observed activities. Ideally one should also add a supplement for activity in units that are not covered by any of these sources. At this moment a systematic approach to inclusion of this undervaluation does not exist in Kosovo. For some industries figures from the current national accounts are higher than values according to other sources. That can be interpreted as recognition of a need to make some adjustment for non-observed activity. During the balancing of supply and use some supplements may also be added to cover uses whose values are calculated from the uses side.

It has been decided not to use information on detailed product-structures from the SBS 2013 as few respondents had provided this information and the PRODCOM statistics seems a more reliable source for these structures.

2.3 Output and input for NPISHs.

A spreadsheet containing calculations for the NPISH sector as a whole is available from the current national accounts. Each NPISH unit has now got a 2-digit industry-code, its output is coded as various kinds of sales revenues and/or final non-profit output. In this process it was revealed that the cost of some activities had not been included in the original value of output. In some cases this can be justified as a way to avoid double counting of grants from one NPISH to another, in other cases it would probably result in undervaluation of NPISH-production. On the other hand it was questioned whether some double counting have taken place because of overlap between NPISHs and market-activities. During the mission a first version of the calculation-sheet was drawn up, but a final version will need to be produced before next mission.

2.4 Comparison of source data for industry-totals.

In the previous mission spreadsheets were drawn up for comparison between the values found in the existing national accounts, the VAT-statistics, the SBS statistics, government accounts and agricultural data for 2013. A first version of the target values for output and input in each industry was chosen with the exceptions of wholesale and retail trade and NPISHs' share of input and output in those industries that contain such non-profit activity.

The present mission has resulted in some additional information that will have a more or less pronounced influence on each of the target totals. Further corrections to SBS 2013 will change the conclusions on the size of some industries and it should now be possible to produce the missing estimates for trade and construction. The estimated supplements for underreporting will be added to production values in the workbook where components of the targets for column-totals are put together. This workbook also shows adjustments for conceptual differences between national accounts and business accounting. The workbook will need to be completed at the start of next mission.

2.5 Product structures of industry outputs and inputs.

Except for the industries mentioned above for which the targets were missing, a full supply matrix was prepared during the previous mission. The supply matrix will be adjusted to the eventual changes in industry-totals.

For industries covered by PRODCOM the product-coding of intermediate consumption is validated and should now also correspond to the classification used in the SUTs. Some initial work has been done to provide default-values for the use of inputs that are not specified in the source data from agricultural statistics, PRODCOM or government accounts, but data still need to be brought together from the various sources. A first version of a fully populated uses side will need to be ready early in the next mission. This will require some homework by the consultant during the next two weeks.

3. Conclusions and recommendations

After the PRODCOM statistics have been brought up to a standard that is appropriate for use in the compilation SUTs the attention turned to those parts of SBS that are needed for calculation of figures for trade and construction. Again a considerable effort was needed before values for purchases of goods for resale and intermediate consumption had been imputed for the numerous enterprises that did not respond to the questionnaire. Specifically within the trade-industries these imputations are important. The VAT-statistics alone could not provide us with information on output or input if we did not have knowledge on the shares of purchases that are used for goods for resale and intermediate consumption respectively.

During the work with details in the SBS it became obvious that the turnover of many enterprises must be underreported. A plan has been drawn up for adjustments to the output totals of several industries. Some extra work on this issue will need to be carried out by the consultant in the weeks before the next mission.

Due to earlier delays, the plan for finalization of the SUT still requires that outstanding issues are solved in a relatively short time. After the previous mission it was recommended, that the first of two missions in February 2016 – the present mission – was arranged as early as possible. After this mission we need as much time as possible to prepare the SUT-data for balancing of supply and use before the following mission, and that as much time as possible is set aside to finalization of the SUTs. It is therefore proposed that the next and final mission will take place between 22th of February and 4th of March and that 2 consultants will participate in the finalization of the SUTs during the last week of the mission.



Terms of Reference:

Component 2: National Accounts

Activity 2.6.5: SUT activity V.

Continued support to the compilation of national accounts in Kosovo. Special focus on SUT

Scheduling:

Tor –ready date: 25 January 2016

Start / end of activity: 1-5 February 2016

Reporting time: 12 February 2016

Mandatory result of the component:

Mandatory Result	Intervention logic	Benchmarks	Sources of information	Assumptions
2.3.1	<p>Initial support to implementation of Action Plan for National Accounts</p> <p>Continued support to implementation of Action Plan for National Accounts</p> <p>Final Support to implementation of Action Plan for National Accounts</p>	<ul style="list-style-type: none"> • Mission report uploaded on project homepage • Selected areas of the National Accounts updated according to ESA2010 	<ul style="list-style-type: none"> • Twinning quarterly reports • Mission Report • 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

Subject / purpose of activity: 2.6.5 activity

Support to the compilation of national accounts in Kosovo. Special focus on Supply and Use Tables (SUT). This mission is a continuation of Mr. Søren Larsen's and Jens Holst Jensen's mission 2.6.4 in January 2015. The mission in December concluded that:

At the start of activity 2.6.4 general government data was brought to a stage, where input- and output-data has been updated, coded and entered into the SUT-framework by KAS-staff.

Data from the Household Budget Survey had been through an improved procedure for grossing up as it was planned at the end of the previous mission.

Work on SBS and PRODCOM was continued before and during the January mission. While there may still be a need for corrections of errors within some areas in the SBS-statistic, the PRODCOM data for industry outputs and inputs is now corrected and brought on a form that is appropriate for distribution of industry outputs and inputs by products.

SBS-data is in combination with the VAT-statistics an important source for output and input – totals for those industries that are covered by this statistic. The sources have now been compared with each other and the corresponding values from the existing national account. Initial targets for output have been chosen for most industries, and distributions of output by industries have been established. The detailed industry data for trade that will be used to establish a distribution of trade margins by products will, however, need to be decided on during the coming mission.

The VAT-statistics will form the basis for the distribution of non-deductible VAT by products and by industries. During the upcoming mission the model used for distribution of non-deductible VAT will have to be refined based on VAT-data and legislation.

Putting together all the information on outputs, inputs and final uses as well as distributions of trade margins, taxes and VAT will still need to await that the last data-inputs are ready. Balancing of supply and use cannot take place before the SUT-environment has been fully populated with data. The present mission will have to be followed by another mission late in February 2016 where supply and use shall be balanced.

Actions needed for preparing the next mission

<i>Action</i>	<i>Deadline</i>	<i>Responsible person</i>
<i>Correction of SBS-data 2013 for trade.</i>	<i>Before next mission</i>	<i>Danish consultant.</i>
<i>Remaining data needed for initial input-structures shall be prepared for use.</i>	<i>Before next mission</i>	<i>Danish consultant.</i>

Expected output of activity 2.6.5:

Mission report describing results of coding and processing of data to be used for SUT

Recommendations for finishing of the SUT in KAS

Description of work done during the mission and work that needs to be completed before the next activity

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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 Twinning Project has already had several activities in Component #2 National Accounts including a fact finding mission on SUTs.

Activities to be undertaken in preparation for the mission:

- Previous mission reports on NA component. All published at www.dst.dk/kosovo

The expected activities are:

- Update of action plan for improvement of National Accounts with SUT
- Further development of detailed plan for future actions on SUT by the twinning program
- Coding of data

Expected output:

- Mission report – according to template
- Detailed plan for further activities to be completed in component 2 by the twinning program
- Updated version of timetable for SUT
- List of actions to be taken before next mission

Annex 1. Agenda, February 2016

Day	Place	Time	Event
1	KAS	10:00	KAS: Overview of what has been accomplished since the previous mission on SUTs January 2015
		10:45	Coffee break
		11:00	Discussion on plans for this week
		12:00	Lunch break
		13:30-15:30	Hands-on SUTs data
2	KAS	09:00-16:00	Hands-on SUTs data
3	KAS	09:00-16:00	Hands-on SUTs data
4	KAS	09:00-16:00	Hands-on SUTs data Discussion on recommendations A plan for next mission and what to do before next mission Report writing
5	KAS	10:00-12:00	Report writing Debriefing Experts, BC Project Leader, Component Leader, and RTA