

**TWINNING CONTRACT**

**Support to the Statistics**

**Kosovo**



**MISSION REPORT**

**on**

**2.3.1 Initial support to implementation of Action Plan for National Accounts, with a focus on NACE 2 conversion**

**Component no 2 National Accounts**

Mission carried out by  
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25-29 August 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
HFCE	Households Final Consumption Expenditure
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
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 in the period 25-29 August 2014 under the component 2 – *National accounts* of the twinning project had as main objectives to support KAS for implementation of NACE rev.2 in national accounts for the period 2008-2012.

At the beginning of this year, a revision of annual GDP by production and expenditure approaches, for the period 2008-2012 started in the frame of IMF project. The revision was focussed on the estimation of: (i) output and intermediate consumption of non-financial units;(ii) output of government (including a new method for CFC calculation); (iii) Household Final Consumption (HFC); (iv) imputed rent and (v) gross fixed capital formations(GFCF).

The first revised data for 2008-2012 were available at the beginning of the mission. The data are not finalised, GDP by production and expenditure approaches, in current and constant prices resent different inconsistencies. During the mission, before starting the activity for the transition to NACE rev.2, an analysis of GDP by production approach was carried out and recommendations for improvement provided.

It should be noted than NACE rev.2 is not yet implemented in statistical system of Kosovo. Tax Authority started to translate the recorded businesses based on NACE rev.2, but the process is not finished. In this condition, the translation made to NACE rev.2 in the frame of national accounts has an experimental character and the estimates will be improved to be correlated with other statistical indicators. For the transition to NACE rev. 2, the correspondence table established by Business Statistic Department was used and preliminary estimates of GDP by production have been realised for the period 2008-2012. The same correspondence table was used for constant prices, too, due to the fact that PPI based on NACE rev.2 was not yet available. The first results will be revised and improved based on the availability of new data sources.

### 1. General comments

This mission report was prepared within the Twinning Project „Support to Statistics”.

The concrete objective of the mission was Conversion of previous GDP estimates to NACE rev. 2 for the period 2008-2012.

**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 time series of GDP by production approach for the period 2008-2012 was revised and the first estimates were available at the beginning of the mission.

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 proposed new methods to estimate the output (O) and the intermediate consumption (IC) based on data from Structural Business Survey (SBS) and supported KAS to realise the revision of 2008-2012 data. The previous estimates were based on SUTs elaborated for 2005, 2006 and 2007. The analysis of new data of GDP by production approach put in evidence inconsistencies in time series. The main problems As it was not possible to change the revised estimates, the transition to NACE rev.2 have been realised using the available figures, not published yet. Their dissemination will be done in November 2014.

KAS started the process to implement NACE rev.2 two years ago. The classification was analysed and translated into Albanian language. A working group was established with experts from KAS, Tax Authority and Kosovo Businesses Registration Agency (which is under the Ministry of Trade and Industry), in order to ensure the conditions for the implementation of the new classification. In 2013, a special survey was conducted for 27000 units in order to establish the correspondence table between the actual classification (NACE rev.1) and the new one.

Based on the conditions of the country and the results of the survey, a transition table was realised by the Department of Economic Statistics.

Together with expert from National Accounts Department, data from Structural Business Statistics (SBS) for 2012 have been estimated based on NACE rev.2 and coefficients of transition established. The same coefficients have been used to do the estimations of the entire period 2008-2012 of GDP by production approach based on NACE rev.2.in current prices.

In present, KAS is in the process to recalculate PPI based on NACE rev.2. The revised data will be available by the end of the year. Due to this situation, the first estimates of GDP by activity based on NECE rev.2 in constant prices have been realised based on the same transition table as for current prices.

These aspects have been discussed with NAD staff and it was recommended to revise the calculations when new available information will be available. The first results of SBS 2013 should be available in November. These will be used to check the quality of transition coefficients and to improve the estimates of GDP based on NACE rev.2.

### **3. Conclusions and recommendations**

During the mission, detailed recommendations concerning the improvement of annual estimates of GDP by production approach and on job training in this field were provided.

The transition of GDP by production to NACE rev.2 will be improved in future, and it was recommended to be part of the entire process carried out by KAS in this field. A good cooperation should be established between NAD and Economic Department, specially statistical business register, prices statistics and business statistics.

**Annex 1. Terms of Reference****EU Twinning Project**

KS12 IB ST 01

Support to Statistics

**Terms of Reference:****Component 2: National Accounts****Activity 2.3.1: Initial support to implementation of Action Plan for National Accounts, with a focus on NACE 2 conversion****Scheduling:**

Tor –ready date: 10 July 2014

Start / end of activity: 25 – 29 August 2014

Reporting time: 12 September 2014

**Mandatory result of the component:**

<b>Mandatory Result</b>	<b>Intervention logic</b>	<b>Benchmarks</b>	<b>Sources of information</b>	<b>Assumptions</b>
2.3.1	<b>Initial support to implementation of Action Plan for National Accounts</b>	<ul style="list-style-type: none"> <li>• Mission report describing work done and work that needs to be completed before the next activity uploaded on project homepage</li> <li>• Selected areas of the National Accounts updated according to ESA2012</li> </ul>	<ul style="list-style-type: none"> <li>• Twinning quarterly reports</li> <li>• Mission Reports</li> <li>• Roadmap</li> </ul>	<ul style="list-style-type: none"> <li>• Sufficient absorption capacity</li> <li>• Low turn-over of staff involved in implementation</li> <li>• Staff works on project related tasks in between missions</li> <li>• Access to accurate primary statistics</li> <li>• A detailed Terms of Reference is</li> </ul>

				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**

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: Part of the transmission to ESA2010 is to convert the previous NA estimates to NACE rev. 2. The conversion process in itself is only done from the production side and should not affect the total GVA and GDP. This property can be used as a control in the calculations. It is advisable to perform this transformation as a separate process, independent of the other changes, to make sure that a check of total GDP can be done before moving to further compilation processes. This project relies heavily on a conversion bridge between NACE rev. 1 and rev. 2. The conversion key should be produced from the double coded and revised information on industries in the Structural Business Survey (SBS) for the period 2008-2012. In order to realise the conversion of GDP by production to NACE rev.2 before the transmission of data to Eurostat (September 2014), it is necessary that the conversion keys provided by Economic Department of KAS are available in June.

### **Expected output of activity 2.3.1**

Mission report.

Conversion of previous NA estimates to NACE rev. 2

On job training

### **KAS resources:**

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**Member state resources:**

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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:**

- Conversion of previous GDP estimates to NACE rev. 2 for the period 2008-2012

**Expected output:**

- Mission report – according to template
- Recommendations for further activities

**Annex 1. Programme, - August 2014**

Day	Place	Time	Event
1	KAS	09.00	Planning the week
		09:30-12.00	Analysis of data sources and conversion tables from NACE rev.1 to NACE rev.2 Consultation and on the job training
		12.00-13.00	Lunch break
		13.00-17.00	Analysis of data sources and conversion tables from NACE rev.1 to NACE rev.2- continuation
2	KAS	09:00-12.00	Estimation of GDP for the period 2008-2012 based on NACE rev.2 .

			Consultation and on the job training
		12.00-13.00	Lunch break
		13.00-17.00	Estimation of GDP for the period 2008-2012 based on NACE rev.2.2– continuation Consultation and on the job training
<b>3</b>	KAS	09:00-12.00	Estimation of GDP for the period 2008-2012 based on NACE rev.2 – continuation Consultation and on the job training
		12.00-13.00	Lunch break
		13.00-17.00	Estimation of GDP for the period 2008-2012 based on NACE rev.2 – continuation Consultation and on the job training
<b>4</b>	KAS	09:00-12.00	Estimation of GDP for the period 2008-2012 based on NACE rev.2 – continuation Consultation and on the job training
		12.00-13.00	Lunch break
		13.00-17.00	Estimation of GDP for the period 2008-2012 based on NACE rev.2 – continuation Consultation and on the job training
<b>5</b>	KAS	09:00-12.00	Review of work done and main problems
		12.00-13.00	Lunch break
		13.00-17.00	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, Have Khyeziu, Besim Mehmeti

### RTA Team:

Per Knudsen, RTA

Nora Zogaj, RTA Assistant