

TWINNING CONTRACT

Support to the Statistics

Kosovo



MISSION REPORT

on

2.5.1 Continued support to implementation of Action Plan, with a focus on QNA

Component no 2 National Accounts

Mission carried out by
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1-12 June 2015

IPA 2012

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List of Abbreviations

ANA	Annual National Accounts
BoPs	Balance of Payments
BPM6	Balance of Payment and International Investments Position Manual, sixth edition
CFC	Consumption of Fixed Capital
CPI	Consumer Price Index
ESA 2010	European System of Accounts 2010
FISIM	Financial Intermediation Services Indirectly Measured
GDP	Gross Domestic Product
GFCF	Gross Fixed Capital Formation
GFC	Government Final Consumption
HFC	Households Final Consumption
IMPI	Import Price Index
IPA	Instrument for Pre-accession Assistance
IMF	International Monetary Fund
QGDP	Quarterly GDP
KAS	Kosovo Agency for Statistics
MoU	Memorandum of Understanding
NAD	National Accounts Department
NPISHs	Non-Profit Institutions Serving Households
NOE	Non-Observed Economy
PPI	Producer Price Index
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 main objective of the present mission carried out under component 2 – *National accounts* of the twinning project was to continue the technical support provided to Kosovo Statistical Agency (KAS) in the field of quarterly Gross Domestic Product (QGDP) estimation. The estimates of QGDP by production and expenditure approaches, at current and constant prices for the fourth quarter 2014 were realised and recommendations for further improvements of quarterly national accounts compilation provided.

In 2014, KAS implemented QGDP by production and expenditure approaches in the frame of IPA 2011 project and with the technical support of the twinning project. A time series was built for the years 2010-2013 based on annual data and the available statistical and administrative data sources. In the period December 2014 – June 2015, KAS elaborated and published the quarterly GDP for 2014 having the twinning technical support.

The estimates of GDP for the fourth quarter 2014 by production and expenditure approaches, at current and constant prices were elaborated during the present mission. For the first time, the annual GDP 2014, as sum of quarters, was available before having the annual estimates. A special attention was paid to analyse the results of annual GDP as sum of quarters, based on available administrative and statistical data sources in order to ensure the consistency between quarterly and annual estimates.

The estimates of QGDP for the fourth quarter were realised based on the available statistical and administrative data sources: turnover for VAT purposes, provided by Tax Authority, financial statements of financial units (Central Bank, other commercial banks, and insurance companies), quarterly indices of turnover of some industries (mining, manufacturing and electricity), PPI, CPI and agriculture output and inputs prices. The quality of quarterly estimates of GDP depends on availability and reliability of data sources. In Kosovo is a lack of statistical sources on quarterly basis; for this reason, it was strongly recommended that KAS makes more efforts in the near future for improvement of short term statistics (STS).

The estimates of QGDP for 2014 are provisional and will be revised based on annual administrative and statistical data and final data of Agriculture Census. It was recommended that KAS elaborates a revision strategy of quarterly data in line with European recommendations and practices and to inform the users.

The road map for QGDP estimation and dissemination was discussed with the management and the staff of National Accounts Department (NAD). It was agreed that there are several fields which should be improved and revised in annual and quarterly basis, with a special attention on government indicators, households final consumption and foreign trade. Based on the experience obtained in the compilation of quarterly national accounts, KAS will reduce the gap of quarterly GDP dissemination for next year; in this respect, the first quarter 2016

will be available at 80-90 days after the end of the reference period, closer with the European recommendations .

1. General comments

This mission report was prepared within the Twinning Project „Support to Statistics”. The objectives of the mission were to support KAS for the estimation of QGDP for the fourth quarter 2014 and to elaborate a road map for production cycle for Quarterly GDP by production and expenditure approaches, at current and constant prices.

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 QGDP estimation for the fourth quarter 2014 followed the compilation methodology applied in the previous quarters, using the same administrative and statistical data sources.

In the agriculture sector is a huge lack of data sources on quarterly basis. KAS provides only monthly agriculture prices (for output and inputs) for crop and animal production. From Ministry of Agriculture it was obtain information concerning the surface planted in spring and in autumn. The output was estimated having the assumption that the volume of the crop output is in correlation with the surface planted. Veterinary Agency provided information concerning the number of animals in 2013 and 2014; the quarterly output was estimated based on the assumption that the annual growth rate of number of animal is the same for all quarters.

The output of non-financial units which cover mining, manufacturing and market services was estimated based on turnover data provided by Tax Authority. The intermediate consumption was estimated using the same ratio of input/output as the corresponding quarter of the previous year.

The construction output was estimated following the annual estimation methodology, based on the input method. Financial activity in quarterly basis is directly estimated based on monthly data provided by Central Bank following the same methodology as in annual calculations. The constant values were estimated using the corresponding CPI. FISIM was calculated following the annual methodology and was allocated to the users. The output of government services was estimated based on cost approach, using the detail information from Ministry of Finance. Quarterly consumption of fixed capital (CFC) was estimated based on the growth rate of gross fixed capital formation (GFCF) of government and corresponding PPI. The quarterly output of NPISHs was estimated using the same methodology as for the previous quarters, based on corresponding CPI and considering the real growth rate at the

same level as previous year. The estimation of taxes and subsidies on products follows the annual methodology. The analysis of data put in evidence a very big value of subsidies for the fourth quarter 2014 and for the entire year; due to the fact that it was available any detail information concerning the destination of these subsidies it was decided to take in the estimation the value of subsidies for economic activities. It was strongly recommended to deeply analyse the structure of these subsidies and to reclassify them as subsidies on product and productions.

Households Final Consumption (HFC) was estimated based on the commodity flow approach. The calculations were made for the following big categories of consumption: Consumptions of goods from trade activity; Consumption of agriculture goods from own account production; Hotel and restaurant; Transport; Financial services (including FISIM and insurance) and other services (health, education and other services for population). The HFCE in constant prices was estimated by deflation, using the corresponding CPI.

The estimation of quarterly GFCF followed the annual methodology and is based on imported data (more details explanations are included in the reports of the missions carried out in June and August 2014).

The unbalancing between the two approaches had a normal level, less than 2%; the adjustments were made especially for the expenditure approach, in the HFC and changes in inventories.

3. Conclusions and recommendations

Implementation of QGDP in 2014 represents one of the main improvements in the field of national accounts. This year, KAS reduced the timeliness gap of QGDP estimates and the first estimates of GDP 2014 was available in June 2015. The improvements will continue and starting with 2016, KAS will publish QGDP, by production and expenditure approaches after 90 days from the end of the reference period.

The main recommendations for QGDP improvement provided during the last two missions (carried out in December 2014 and February 2015) are still available. The following recommendations are added:

- Revision of annual GDP and consequently QGDP time series 2010-2013 and due to the improvements in government indicators estimation and implementation of BPM6;
- To elaborate the QGDP revision policy and to inform the users, including the government and media.

Annex 1 ToRs



EU Twinning Project

KS12 IB ST 01

Support to Statistics

Terms of Reference:

Component 2: National Accounts

Activity 2.5.1: Continued support to implementation of Action Plan, with a focus on QNA

Scheduling:

Tor –ready date: 16 May 2015

Start / end of activity: 1-12 June 2015

Reporting time: 19 June 2015

Mandatory result of the component:

Mandatory Result	Intervention logic	Benchmarks	Sources of information	Assumptions
2.5	Support to compilation of QNA	<ul style="list-style-type: none"> Mission report describing work done and work that needs to be completed before the next activity uploaded on project homepage Annual accounts reviewed 	<ul style="list-style-type: none"> Twinning quarterly reports Mission Reports 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

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Subject / purpose of activity: 2.5.1

This mission is a continuation of the mission 2.3.1.3 which took place in February 2015.

In December 2014 KAS published, for the first time, quarterly GDP for Kosovo for the period 2010- I quarter 2014. This mission is focusing on continuing the proces of having a production cycle for this statistics and support KAS for the estimation of the fourth quarter 2014 and provisional estimates of annual GDP 2014 (as sum of quarters)which is planned to be published in June (12 June 2015).

During the mission the expert will further have consultations and discussion with the unit of National Accounts.

The road map for National Accounts found in tabel 2 in the mssion 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 acoomplish. The work plan elaborated by KAS last year and approved by the Government foreseen to have the estimation of quarterly GDP by production and expenditure approaches, at current and constant prices in a regular basis and to decrease the lag of data dissemination. .

Expected output of activity 2.5.1

Mission report.

Support KAS for publishing quarterly NA June 2015.

On job training on quarterly accounts estimation

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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 and quarterly National Accounts should be a first priority for KAS. The calculation of GDP using the production and the expenditure approaches is of particular importance here.

The expected activities are:

- Support KAS for publishing quarterly NA by June 2015. Discussions on production cycle for QNA

Expected output:

- Mission report – according to template
- Recommendations for further activities to ensure achievement of the goal of estimation quarterly GDP by production and expenditure approaches

Annex 2. Programme, 1-12 June 2015

Day	Place	Time	Event
1	KAS	09.00	Planning the week
		09:30	Activities since last mission
		10:30	Coffee break
		11:00	Collection and analysis of data sources for the estimation of QNA..
		12:00-13.00	Lunch break

		13:00-17.00	Collection and analysis of data sources for the estimation of QNA..
2	KAS	09:00-12.00	Estimation of QGDP- qIV by production approach, at current and constant prices .
		12.00-13.00	Lunch break
		13.00-17.00	Estimation of QGDP- qIV by production approach, at current and constant prices
3	KAS	09:00-12.00	Estimation of QGDP- qIV by production approach, at current and constant prices
		12.00-13.00	Lunch break
		13.00-17.00	Estimation of QGDP- qIV by production approach, at current and constant prices.
4	KAS	09:00-12.00	Estimation of QGDP-IVq by expenditure approach, at current and constant prices..
		12.00-13.00	Lunch break
		13.00-17.00	Estimation of QGDP-IVq by expenditure approach, at current and constant prices .
5	KAS	09:00-12.00	Estimation of QGDP-IVq by expenditure approach, at current and constant prices .
		12:00-13.00	Lunch break
		13:15-17.00	Estimation of QGDP-IVq by expenditure approach, at current and constant prices
6	KAS	09.00-12.00	Estimation of QGDP-IVq by expenditure approach , at current and constant prices
		12:00-13.00	Lunch break
		13:00-17.00	Estimation of QGDP-IVq by expenditure approach, at current and constant prices on production cycles for QNA.
7	KAS	09:00-12.00	Balancing QGDP by production and expenditure approaches, at current and constant prices
		12.00-13.00	Lunch break
		13.00-17.00	Balancing QGDP by production and expenditure approaches, at current and constant prices .
8	KAS	09:00-12.00	Balancing QGDP by production and expenditure approaches, at current and constant prices.
		12.00-13.00	Lunch break
		13.00-17.00	Balancing QGDP by production and expenditure approaches, at

			current and constant prices
9	KAS	09:00-12.00	Drafting the publication of QNA
		12.00-13.00	Lunch break
		13.00-17.00	Drafting the publication of QNA
10	KAS	09:00	Discussion on production cycles for QNA
		10:30	Coffee break
		10:00	Discussion on production cycles for QNA - continuation
		12:00	Lunch break
		13:15-17.00	Debriefing: Experts, Component Leader and RTA