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Kosovo Data Gap Analysis for Standard Country Analytic Report

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Contents

1. Introduction	1
2. Data Availability for Kosovo	3
Growth Performance	3
Poverty and Inequality	3
Economic Structure	4
Demographic and Environmental Conditions	4
Gender	4
Fiscal and Monetary Policy	5
Business Environment	6
Financial Sector	6
External Sector	7
Economic Infrastructure	8
Science and Technology	8
Health	8
Education	9
Employment and Workforce	10
Agriculture	10
3. Recommendations and LOE Schedule	11

1. Introduction

Nathan Associates has prepared this paper for the EGAT/EG office in Washington, D.C., in response to a request from the CTO to determine which indicators used in the standard Country Analytic template are available for Kosovo and, on the basis of that determination, recommend whether a full economic performance assessment is worthwhile.

Economic performance assessments provide USAID missions and regional bureaus with a concise evaluation of key indicators covering a broad range of issues relating to economic growth performance in designated host countries/protectorates. The assessments draw on a variety of international data sources¹ and use international benchmarking against reference group averages, comparator countries, and statistical norms to identify constraints on, trends in, and opportunities for strengthening growth and reducing poverty.

Our analysis is organized around two mutually supportive goals: transformational growth and poverty reduction.² Rapid and broad-based growth is the most powerful instrument for poverty reduction. At the same time, programs to reduce poverty and lessen inequality can help to underpin rapid and sustainable growth. These interactions can create a virtuous cycle of economic transformation and human development.

Transformational growth requires a high level of investment and rising productivity. This is achieved by establishing a strong *enabling environment for private sector development*, involving multiple elements: macroeconomic stability; a sound legal and regulatory system, including secure contract and property rights; effective control of corruption; a sound and efficient financial system; openness to trade and investment; sustainable debt management; investment in education, health, and workforce skills; infrastructure development; and sustainable use of natural resources.

¹ Sources include the most recent data from the World Bank, the International Monetary Fund, the Millennium Challenge Corporation, the United Nations (including the Millennium Development Goals database), the World Economic Forum, other international data sets, and accessible host-country/protectorate documents and data sources.

² In USAID's White Paper, *U.S. Foreign Aid: Meeting the Challenges of the Twenty-first Century* (January 2004), transformational growth is a central strategic objective, both for its innate importance as a development goal, and because growth is the most powerful engine for poverty reduction.

In turn, the impact of growth on poverty depends on policies and programs that create opportunities and build capabilities for the poor. We call this the *pro-poor growth environment*.³ Here too, many elements are involved, including effective education and health systems; policies facilitating job creation; agricultural development (in countries where the poor depend predominantly on farming); dismantling barriers to micro and small enterprise development; and progress toward gender equity.

In accordance with this conceptual framework, the economic performance assessments are in three sections: Overview of the Economy, Private Sector Enabling Environment, and Pro-Poor Growth Environment. Table 1 summarizes the topic coverage. Given Kosovo's status, little data is available from our standard data sources; however, other publicly available data sources fill most of the gaps so that 64 percent of the indicators are available for Kosovo, with the most recent year for most indicators being either 2005 or 2006.

Table 1. Standard Economic Performance Assessment Topic Coverage

Overview of the Economy	Private Sector Enabling Environment	Pro-Poor Growth Environment
<ul style="list-style-type: none"> • Growth performance • Poverty and inequality • Economic structure • Demographic and environmental conditions • Gender 	<ul style="list-style-type: none"> • Fiscal and monetary policy • Business environment • Financial sector • External sector • Economic infrastructure • Science and technology 	<ul style="list-style-type: none"> • Health • Education • Employment and workforce • Agriculture

In the rest of this paper, we present the availability of data for Kosovo for each topic. We identify the best data sources for each indicator and indicators for which data are not available and possible replacements for them. Finally, we make a recommendation regarding the undertaking of a full economic performance assessment.

³ A comprehensive poverty reduction strategy also requires programs to reduce the *vulnerability* of the poor to natural and economic shocks. This aspect is not covered in the template since the focus is economic growth programs. In addition, it is difficult to find meaningful and readily available indicators of vulnerability to use in the template.

2. Data Availability for Kosovo

Growth Performance

Data availability is indicated by an “X” in the tables. Data for most growth performance indicators are available. Sources for these data include IMF and World Bank estimates from the Kosovo Public Expenditure and Institutional Review, the Statistical Office of Kosovo (SOK), the Central Banking Authority of Kosovo (C-BAK), and the Ministry of Economics and Finance.⁴

Table 2. Growth Performance Indicators

Indicator	Availability	Most Recent Year
Per capita GDP, purchasing power parity dollars ^a		2003
Per capita GDP, current U.S. dollars	X	2006
Real GDP growth	X	2006
Growth of labor productivity—based on GDP/working age population, GDP/labor force, or GDP/employment	X	2005
Investment productivity—incremental capital-output ratio (ICOR)	X	2005
Share of gross fixed investment in GDP, current prices	X	2006
Share of gross fixed private investment in GDP, current prices		

^a Value for per capita GDP, purchasing power parity dollars for 2003 is available from DCAF.

Poverty and Inequality

Most poverty data are available, but the main indicator for income inequality (income share accruing to the poorest 20 percent) is not. Fortunately, the Gini coefficient, another indicator of income inequality, is in the World Bank’s *Kosovo Poverty Assessment: Promoting Opportunity, Security, and Participation for All*. Given its wide availability, benchmarking the Gini coefficient should not be difficult. Other data sources for poverty and inequality indicators include the Kosovo household budget survey, SOK, and the United Nations Development Programme (UNDP) Kosovo.

⁴ Per capita GDP in purchasing power parity dollars is not available from regular data sources. This indicator is seminal to our benchmarking methodology, as it is used in calculating a regression benchmark for many of our indicators. A policy paper by the Geneva Centre for the Democratic Control of Armed Forces provides a number of \$790 for 2003; however, for consistency and to receive a more timely number, it would be preferable to obtain an estimate from the IMF.

Table 3. Poverty and Inequality Indicators

Indicator	Availability	Most Recent Year
Human poverty index (0 for excellent to 100 for poor)		
Income share accruing to poorest 20% ^a		2002
Population (%) living on less than \$1 PPP per day		
Poverty headcount (%), by national poverty line	X	2003
PRSP status	X	n/r
Population (%) below minimum dietary energy consumption	X	2003

^a Gini coefficient available as a possible replacement for income share accruing to poorest 20%.

Economic Structure

All data on economic structure indicators are available from SOK.

Table 4. Economic Structure Indicators

Indicator	Availability	Most Recent Year
Labor force in agriculture, % total	X	2005
Labor force in industry, % total	X	2005
Labor force in services, % total	X	2005
Output structure (agriculture, value added, % GDP)	X	2004
Output structure (industry, value added, % GDP)	X	2004
Output structure (services, etc., value added, % GDP)	X	2004

Demographic and Environmental Conditions

All demographic data are available, but the one indicator of environmental performance (Yale University's Environmental Performance Index) is not. Depending on the importance of the subject for the mission or bureau, we can use other documentation to provide analysis. Sources for available data include SOK, UNDP Kosovo, and the Ministry of Economics and Finance.

Table 5. Demographic and Environmental Conditions Indicators

Indicator	Availability	Most Recent Year
Adult literacy rate	X	2003
Youth dependency rate	X	2005
Elderly dependency	X	2005
Environmental Performance Index		
Population size (millions)	X	2005
Population growth	X	2005
Urbanization rate	X	2006

Gender

All gender indicators, except the two that relate to gross primary enrollment rates, are available. A good alternative to the enrollment rates indicators is the ratio of boys to girls in primary

schools. Sources for these data include SOK, UNDP Kosovo, and the World Bank poverty assessment for Kosovo mentioned earlier.

Table 6. Gender Indicators

Indicator	Availability	Most Recent Year
Girls' primary completion rate	X	
Male gross enrollment rate ^a		2003-04
Female gross enrollment rate ^a		2003-04
Male life expectancy at birth	X	2002-03
Female life expectancy at birth	X	2002-03
Male labor force participation rate	X	2005
Female labor force participation rate	X	2005

^a Ratio of boys to girls in primary schools is available as an alternative male and female gross enrollment rates.

Fiscal and Monetary Policy

All data for fiscal and monetary policy indicators are available from C-BAK, the Ministry of Economics and Finance, and the IMF.

Table 7. Fiscal and Monetary Policy Indicators

Indicator	Availability	Most Recent Year
Government expenditure, % GDP	X	2006 est.
Government revenue, excluding grants (% GDP)	X	2006 est.
Growth in broad money supply	X	2006 est.
Inflation rate	X	2006
Overall government budget balance (% of GDP)	X	2006 est.
Composition of government expenditure		
Wages and salaries	X	2006 est.
Goods and services	X	2006 est.
Interest payments	X	2006 est.
Subsidies and other current transfers	X	2006 est.
Capital expenditures	X	2006 est.
Composition of government revenue		
Taxes of income, profits and capital gains	X	2006 est.
Taxes on goods and services	X	2006 est.
Taxes on international trade	X	2006 est.
Non-tax revenue	X	2006 est.
Composition of money supply growth		
Net credit to government	X	2006
Credit to the private sector	X	2006
Net credit to non-financial public enterprises	X	2006

Business Environment

Most data on the business environment are not available. This is because most data are from *Doing Business* or the *Global Competitiveness Report*, neither of which cover Kosovo. Nor is Kosovo included in Transparency International's Corruption Perceptions Index (CPI). With the exception of the Regulatory Quality Index, data from the World Bank Institute's (WBI) Worldwide Governance Indicators are available (Rule of Law Index and Government Effectiveness Index). An excellent substitute for the CPI, the Control of Corruption Index, is available from WBI and is easy to benchmark. Note that *only one year of data are available for each of these indicators*.

Table 8. Business Environment Indicators

Indicator	Availability	Most Recent Year
Corruption Perceptions Index ^a		2005
Ease of doing business ranking		
Rule of law index ^b	X	2005
Regulatory quality index		
Government effectiveness ^b	X	2005
Cost of starting a business, % GNI per capita		
Procedures to enforce a contract		
Procedures to register property		
Procedures to start a business		
Time to enforce a contract		
Time to register property		
Time to start a business		
Total tax payable by business (% operating profit)		
Business costs of crime, violence and terrorism		
Senior manager time spent dealing with govt regulations (%)		

^a Control of Corruption Index is available as a substitute for the Corruption Perceptions Index.

^b Only one year of data available.

Financial Sector

Most financial sector data for Kosovo are readily available from C-BAK. Unfortunately, the Credit Information Index and Legal Rights of Borrowers and Lenders Index are from *Doing Business* and are therefore unavailable. Although other data may substitute for these indicators, benchmarking will be difficult.

Table 9. Financial Sector Indicators

Indicator	Availability	Most Recent Year
Domestic credit to private sector, % GDP	X	2006
Interest rate spread, lending rate minus deposit rate	X	2006
Money supply (M2), % GDP	X	2006

Indicator	Availability	Most Recent Year
Stock market capitalization rate, % GDP		
Credit information index		
Legal rights of borrowers and lenders index (0 for poor to 10 for excellent)		
Real interest rate	X	2006

External Sector

Data are available for most aspects of the external sector. Indicators for which data are not available are the real effective exchange rate (extremely helpful for investigating issues of competitiveness) and *Doing Business*' ease of trading across borders. Data sources include C-BAK, the Ministry of Economics and Finance, the World Bank, the IMF, and SOK.

Table 10. External Sector Indicators

Indicator	Availability	Most Recent Year
Aid, % GNI ^a	X	2006
Current account balance, % GDP	X	2006
Debt service ratio, % exports	X	2004
Exports growth, goods and services	X	2006
Foreign direct investment, % GDP	X	2005
Gross international reserves, months of imports ^b	X	2005
Private capital inflows, %GDP	X	2005
Present value of debt, % GNI	X	2004
Remittance receipts, % exports	X	2006
Trade, % GDP	X	2006
Trade in services % GDP	X	2006
Concentration of exports (top three exports, 3-digit SITC) ^c		2006
Inward FDI potential index (0 for poor to 1 for excellent)		
Net barter terms of trade (1995=100)		
Real effective exchange rate index (1995=100)		
Structure of merchandise exports		
Agricultural raw materials	X	2006
Fuel	X	2006
Manufactured goods	X	2006
Ores and metals	X	2006
Food	X	2006
Trade policy index		
Ease of trading across borders (1 for best 175 for worst)		

^a Aid reported by Kosovo available.

^b Gross international reserves termed 'reserved assets' by C-BAK.

^c Concentration of exports by 2-digit HS code available.

Economic Infrastructure

A great deal of data exists on economic infrastructure, much of it in the Kosovo Public Expenditure and Institutional Review, but not for most of the indicators used in the template.⁵ The number of household internet connections, which appears in UNDP's *Kosovo Mosaic 2006*, is an alternative to internet users per 1000 people. The Kosovo Public Expenditure and Institutional Review also provides the numbers of paved roads. Telephone density data are available from SOK.

Table 11. Economic Infrastructure Indicators

Indicator	Availability	Most Recent Year
Internet users per 1000 people ^a		
Overall infrastructure quality index (1 for poor; 7 for excellent)		
Telephone density, fixed line and mobile	X	2006
Quality of infrastructure index(1 for poor ; 7 for excellent)		
Air transport		
Ports		
Railroads		
Electricity		
Roads, paved (% total)	X	2004-2006

^a Household internet connections available from Kosovo Mosaic 2006 survey.

Science and Technology

Unfortunately, no data are available on science and technology. Any reports on this subject would be useful when undertaking a full report.

Table 12. Science and Technology Indicators

Indicator	Availability
Expenditure for R&D, % GDP	
FDI technology transfer index	
Availability of scientists and engineers	
Science and technology journal articles, per million population	
IPR protection	

Health

Most data for health indicators are available. We have not been able to find data for the maternal mortality rate indicator. The available health data can be obtained from UNDP Kosovo and SOK.

⁵ This is because most of our indicators for this topic are from the *Global Competitiveness Report*.

Table 13. Health Indicators

Indicator	Availability	Most Recent Year
HIV prevalence	X	2005
Life expectancy at birth	X	2002-2003
Maternal mortality rate, per 100,000 live births		
Access to improved sanitation	X	2003
Access to improved water source	X	2003
Births attended by skilled health personnel		
Child immunization rate	X	2005
Prevalence of child malnutrition (weight for age)		
Public health expenditure, % GDP	X	2005

Education

Most education indicators are available from UNDP Kosovo and SOK. Data on three indicators that would be extremely useful—female and male net primary enrollment rates and gross tertiary enrollment rates—are not available. Tertiary completion rates (available from UNDP Kosovo) could be used instead of gross tertiary enrollment rates.

Table 14. Education Indicators

Indicator	Availability	Most Recent Year
Net primary enrollment rate (total)	X	2003
Female		
Male		
Persistence in school to grade 5 (total)	X	2003
Female	X	2003
Male	X	2003
Youth literacy rate (total)	X	2006 est.
Male	X	2006 est.
Female	X	2006 est.
Net secondary enrollment rate (total)	X	2003-04
Gross tertiary enrollment rate (total) ^a		2000-01
Education expenditure, primary, %GDP	X	2002
Expenditure per student, % GDP per capita, primary	X	2002
Expenditure per student, % GDP per capita, secondary	X	2002
Expenditure per student, % GDP per capita, tertiary	X	2004
Pupil-teacher ratio	X	2003-04

^a Tertiary completion rates can replace gross enrollment rate.

Employment and Workforce

Most employment and workforce data are available and were initially provided by the Europe and Eurasia Bureau at USAID. Using their notes, we were able to go back to the primary data source, SOK, and download updated data. Unfortunately, the rigidity of employment index and firing costs (both from *Doing Business*) are not available, which will make assessing labor market flexibility difficult. Reports on the topic would be useful in undertaking a full economic performance assessment for Kosovo.

Table 15. Employment and Workforce Indicators

Indicator	Availability	Most Recent Year
Labor force participation rate (total)	X	2005
Rigidity of employment index		
Labor force (size)	X	2005
Labor force (growth)	X	2005
Unemployment rate	X	2006
Economically active children (% children ages 7-14) ^a		
Firing costs (weeks of wages)		

^a A figure for rural economically active children is available from SOK.

Agriculture

All the most important agriculture indicators are available from SOK and the Ministry of Economics and Finance. The agricultural policy costs index (*Global Competitiveness Report*), crop production index (World Development Indicators), and livestock production index (World Development Indicators) are not available.

Table 16. Agriculture Indicators

Indicator	Availability	Most Recent Year
Agriculture value added per worker	X	2004
Cereal yield	X	2005
Growth in agricultural value-added	X	2004
Agricultural policy costs index		
Crop production index		
Livestock production index ^a		2005
Agricultural export growth	X	2006

^a Actual livestock production numbers are available from SOK

3. Recommendations and LOE Schedule

In all, 64 percent of the standard Country Analytic Template indicators are available for Kosovo, and another 7 percent have good proxies for diagnostic and analytical purposes. We therefore recommend undertaking a full economic performance assessment. Unusually for a place such as Kosovo, the government keeps excellent statistics on small and medium enterprises (SMEs). Furthermore, Mix Market (<http://www.mixmarket.org>) retains good figures on microfinance lending in Kosovo. We therefore recommend adding the topic of SMEs and microfinance to the section on the Private Sector Enabling Environment.

In places that have been plagued by conflict, such as Kosovo, the relationship between security and economic performance is critical. Thus, we also recommend adding a section on conflict status to the report, as we have done for Sri Lanka and Afghanistan (reports available upon request). The added section would first present a conflict assessment and then assess the impact of conflict on the economy.

When undertaking a regular economic performance assessment, we normally require the following LOE: 4 days of Level I expertise; 8 days of Level II expertise; and 8 days of Level III expertise. Given that almost all the data will have to be entered manually and that we would add sections, we recommend the following LOE allocation: 5 days of Level I expertise; 10 days of Level II expertise; and 11 days of Level III expertise.