

# **Sector Review on Business Statistics in Georgia**

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**Prepared by:**

**Ema Mistic  
Josef Richter**

## Table of Contents

Executive summary	1
1. Introduction	4
2. Findings	6
2.1 Infrastructural elements	6
2.1.1 Statistical units	6
2.1.2 Classifications	6
2.1.3 Business register	7
2.2 Compliance with EU data requirements	9
2.2.1 SBS	9
2.2.2 STS	10
2.3 Institutional environment	10
2.3.1 Principle 2 – Mandate for data collection	10
2.3.2 Principle 3 – Adequacy of resources	11
2.3.3 Principle 4 – Commitment to Quality	12
2.3.4 Principle 6 – Impartiality and Objectivity	13
2.4 Statistical processes	14
2.4.1 Principle 7 – Sound methodology	14
2.4.2 Principle 8 – Appropriate Statistical Procedures	15
2.4.3 Principle 9 – Non-excessive burden on respondents	17
2.4.4 Principle 10 – Cost Effectiveness	17
2.5 Statistical outputs	18
2.5.1 Principle 11 – Relevance	18
2.5.2 Principle 12 – Accuracy and Reliability	18
2.5.3 Principle 13 – Timeliness and Punctuality	19
2.5.4 Principle 14 – Coherence and Comparability	20
2.5.5 Principle 15 – Accessibility and clarity	21
3. Recommendations	22
3.1 Statistical infrastructure	22
3.1.1 Statistical units	22
3.1.2 Classifications	22
3.1.3 Business register	22

3.2	Meeting EU data requirements	23
3.2.1	SBS	23
3.2.2	STS	23
3.3	Institutional environment	24
3.4	Statistical processes	25
3.5	Statistical outputs	26
4.	Roadmap and priorities	28
4.1	Top priority measures - implementation should be finished soon	28
4.2	High priority measures - implementation should at least be started 2016	28
4.3	Top priority measures - implementation in the medium term	28
5.	Annexes	30
	Annex 1: Sector review agenda	31
	Annex 2: Organisation of the Sector Review and material available	34

## LIST OF ABBREVIATIONS

AGA	Adapted Global Assessment
CATI	Computer Assisted Telephone Interview
CCI	Construction Cost Index
ESCoP	European Statistics Code of Practice
CoE	Centre of Excellence
CPA	Classification of Products by Activities
CROS Portal	Portal on Collaboration in Research and Methodology for Official Statistics
ENP	European Neighbourhood Policy
ESA	European System of National and Regional Accounts
ESS	European Statistical System
ESSnet	Collaborative ESS networks
EU	European Union
FATS	Foreign Affiliates Statistics
FAQ	Frequently Asked Questions
FRIBS	Framework Regulation on Integrated Business Statistics
GeoStat	National Statistics Office of Georgia
GSBPM	Generic Statistical Business Process Model
ICT	Information and Communication Technologies
IMF	International Monetary Fund
IT	Information technology
KAU	Kind-of- activity unit
LEPL	Legal Entity of Public Law
Memobust	Handbook on Methodology of Modern Business Statistic
MPI	Import Price Index
NACE	Statistical Classification of Economic Activities
NSS	National Statistical System
QAF	Quality Assurance Framework
PPI	Producer Price Index
R&D	Research and Development
SAQ	Self-Assessment Questionnaire
SBS	Structural Business Statistics
SIDA	Swedish International Development Cooperation Agency
SPPI	Service Producer Price Index
STS	Short-Term Statistics
VAT	Value-added tax
XPI	Export Price Index

## Executive summary

- (1) In general terms, it can be concluded from this Sector Review that the National Statistics Office of Georgia (GeoStat)<sup>1</sup> already reached a considerable degree of compliance with EU standards in the field of business statistics. There are good prospects that full compliance with EU standards and data requirements could be reached in a few years. GeoStat has access to many administrative data sources and considerable experience in the adequate use of this data for business statistics. To achieve the goal of full compliance, additional efforts and resources will be needed. International help – such as the one received by the twinning project between GeoStat and Statistics Sweden, financed by SIDA – might play an important role.
- (2) With regard to the statistical infrastructure of business statistics, the business register in Georgia has already reached a very high standard. At present, the main statistical unit is the legal unit, while activities on the delineation of all enterprises, kind-of-activity units and local units has already been started and is still ongoing.
- (3) Although the Georgian version of NACE Rev. 2<sup>2</sup> was not yet officially approved, the classification of all units according to NACE Rev. 2 will be finalised in the near future, likely in the beginning of 2016. Double-coding of all units according to NACE Rev 1.1<sup>3</sup> and NACE Rev. 2 will allow presenting all data of the annual survey for the reference year 2014 according to both classifications.
- (4) The annual survey provides most of the information according to the Common Module of Structural Business Statistics (SBS)<sup>4</sup>. In order to reach full compliance, it will be necessary to extend the scope of the survey to some industries which are so far not covered. Some of the definitions also need to be aligned. The change to EU standards with regard to size classes will require a redesign of the random sample for medium-size and small-size units.
- (5) When it comes to Short-Term Statistics (STS), the situation is less favourable. At present, only producer and import price indices, as well as data on building permits are made available to the public. The rich pool of administrative data sources available to GeoStat should however allow producing the required indicators in a cost-efficient way and with no major additional burdens for the respondents.
- (6) The design and the compilation of a full set of STS indicators will be the main challenge for the near future. Even though some of the existing know-how in price statistics can be used for this purpose, the development of all the volume indicators (indices) will require additional resources and expertise.

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<sup>1</sup> See: <http://www.geostat.ge/index.php?lang=eng>.

<sup>2</sup> [Regulation \(EC\) No 1893/2006 of the European Parliament and of the Council of 20 December 2006 establishing the statistical classification of economic activities NACE Revision 2 and amending Council Regulation \(EEC\) No 3037/90 as well as certain EC Regulations on specific statistical domains.](#)

<sup>3</sup> [Commission Regulation \(EC\) No 29/2002 of 19 December 2001 amending Council Regulation \(EEC\) No 3037/90 on the statistical classification of economic activities in the European Community.](#)

<sup>4</sup> See Annex I of [Regulation \(EC\) No 295/2008 of the European Parliament and of the Council of 11 March 2008 concerning structural business statistics.](#)

- (7) As far as compliance with the Principles laid down in the European Statistics Code of Practice (ESCoP)<sup>5</sup> is concerned, the fact that the new Law of Georgia on Official Statistics entered into force on 1st of June 2015 can be seen as a major step forward. The mandate for data collection was strengthened. Furthermore, a joint Quality and Methodology Unit was established and activities to establish a standardised system for documenting all statistical processes have been started; the next step will be establishing a standardised system of quality reports. Training activities have also been increased.
- (8) The situation regarding human resources improved compared to previous years. GeoStat however, still faces difficulties to fulfil its coordination role with other producers of official statistics in Georgia. The cooperation with the owners of administrative data is well established.
- (9) The concepts, definitions and classifications used in business statistics are well documented. The questionnaires are prepared together with the main stakeholders and tested on a regular basis. The very user-friendly electronic questionnaire includes detailed explanatory notes and answers to Frequently Asked Questions (FAQ) and a hotline is also available for providing additional clarifications. More than 50% of respondents already make use of the electronic questionnaire, with most of them being large units. In order to ensure a high quality of reports, the electronic questionnaire also includes built-in controls and plausibility checks. Administrative data are used for control purposes and for imputing missing information.
- (10) Sampling techniques for the random sample of small and medium-size units are well established; methods for dealing with unit non-response and item non-response can be considered as being ‘state of the art’ to a large extent.
- (11) So far no attempts were made to measure the response burden caused by business statistics. In the medium term, it might become necessary to assess the implications of the increased use of electronic data collection methods for the decentralised system of data collection with the help of the regional offices.
- (12) Data sources and intermediate results are regularly assessed and validated at both micro and macro level. Errors are monitored and are rather few, while the non-response rates are within an acceptable order of magnitude.
- (13) Business statistics are released in a very timely manner. In this respect, full compliance with EU standards is already ensured. The results of the annual business survey (comparable to SBS) are available nine months after the end of the reference year, while Producer Price Indices (PPI) are published fifteen days after the reference period, and data on building permits one month after the reference period. Most of the data covered by surveys is published. Publication of all data collected should be planned for the near future. A slight modification is also required for the release calendar.
- (14) During the discussions between GeoStat representatives and the experts, a number of best practices in the activities of GeoStat were identified, with prominent examples being the electronic questionnaire in use, the timeliness of the publication of results, the extensive

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<sup>5</sup> See <http://ec.europa.eu/eurostat/web/quality/european-statistics-code-of-practice>.

integration of administrative data, the training provided for big companies and the templates developed for documenting statistical processes.

## 1. Introduction

(15) Eurostat plays a key role in the statistical cooperation with enlargement countries and the countries covered by the European Neighbourhood Policy (ENP)<sup>6</sup>. This role includes supporting these countries in their efforts to align their statistical data with European and international standards. In this context, a Sector Review was carried out with the objective of analysing the current situation of business statistics in Georgia.

(16) As stated by Eurostat, Sector Reviews have the following specific objectives

- to assess the administrative and technical capacity of the reviewed statistical system to produce business statistics;
- to assess the statistical production against the EU standards;
- to review the medium and long-term planning within the sector; and
- to propose a list of recommendations to be undertaken in order to improve business statistics.

(17) The review focused on the backbones of business statistics, on Structural Business Statistics (SBS) and Short-Term Statistics (STS), as well as on the statistical infrastructure of business statistics.

(18) As stated in Article 1 of Regulation (EC) No 295/2008<sup>7</sup> the very complex system of SBS shall provide the empirical basis to analyse

- a) the structure and evolution of the activities of businesses;
- b) the factors of production used and other elements allowing business activity;
- c) competitiveness and performance to be measured;
- d) the regional, national, Community and international development of businesses and
- e) markets;
- f) business conduct;
- g) small and medium-sized enterprises; and
- h) specific characteristics of enterprises related to particular breakdown of activities.

(19) In addition, there is a need for data on business demography, also because such data are among the indicators to support the Europe 2020 strategy. The birth of new enterprises is often seen as one of the key drivers of job creation and economic growth<sup>8</sup>.

(20) In National Accounts the first account in the sequence of accounts is the production account, which records the output and inputs of the production process, leaving value added as the balancing item. SBS provide most of the data required to estimate production accounts. Because of this eminent role for compiling National Accounts, the concepts of SBS are heavily influenced by the basic concepts of National Accounts.

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<sup>6</sup> More information is available on Eurostat's home page: <http://ec.europa.eu/eurostat/web/european-neighbourhood-policy/overview>.

<sup>7</sup> Regulation (EC) No 295/2008 of the European Parliament and of the Council of 11 March 2008 concerning Structural Business Statistics.

<sup>8</sup> See Eurostat, Smarter, greener, more inclusive? Indicators to support the Europe 2020 strategy; Luxembourg 2015.

- (21) As it is clearly set out in Article 1 of the Regulation (EC) No 1165/98<sup>9</sup> the aim of Short-Term Statistics (STS) is to establish a common framework for the production of short-term statistics for business cycle analyses. STS comprise information necessary to provide a uniform basis for the analysis of the short-term development of supply and demand, production factors and prices.
- (22) In order to facilitate analyses, production and prices (or costs) indicators have to be provided in the form of indices. As in the case of SBS, the specific data requirements are laid down in the following Annexes to Regulation (EC) No 1165/98:
- Industry – Annex A;
  - Construction – Annex B;
  - Retail trade and repair – Annex C;
  - Other services – Annex D.
- (23) STS meet all the analytical requirements for studying the business cycle. The analysis need not be limited to a single indicator but can instead be based on a set of variables, each of them devoted to a specific aspect of the economy. Emphasis is laid on indicators (indices) in volume terms, in order to investigate the change in the activity level. Data on building permits are collected in order to use this information as leading indicators to forecast future production.
- (24) In addition, STS play an important role as one of the sources for compiling National Accounts at infra-annual level.

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<sup>9</sup> Council Regulation (EC) No 1165/98 of 19 May 1998 concerning Short-Term Statistics.

## **2. Findings**

### **2.1 Infrastructural elements**

(25) Business statistics are based on a number of concepts and methodological elements the relevance of which is not limited to business statistics.

(26) Cross-cutting issues such as statistical units, activity and product classifications and business register may be considered core elements of the entire statistical system. Because of this fundamental role, statistical units, classifications and business registers in the European Statistical System (ESS) are all based on EU Regulations. Any assessment of a system of business statistics which does not cover the compliance of the infrastructural elements of business statistics with EU standards would be quite incomplete.

#### **2.1.1 Statistical units**

(27) Regulation (EEC) No 696/93<sup>10</sup> on statistical units for the observation and analysis of the production system is one of the most influential of all legal acts for the ESS.

(28) At present, the main statistical unit in business statistics in Georgia is the legal unit while work on the delineation of all enterprises, kind-of-activity units (KAUs) and local units is ongoing. The use of the legal unit as statistical unit is neither compliant with the provisions governing SBS nor with the ones in force for STS. In the case of SBS, the non-compliance is less pronounced because in Georgia in the great majority of cases the enterprise according to the EU definitions corresponds to the legal unit.

#### **2.1.2 Classifications**

(29) Classifications, particularly classifications by activity and by size classes, determine which kind of questions can be answered on the basis of business statistics. The use of the same classifications system is of decisive importance for international comparisons.

(30) At present, three size classes of enterprises are distinguished by GeoStat:

- Large enterprises: enterprises with an average number of 100 or more employees and an annual turnover which exceeds 1.5 million GEL.
- Medium size enterprises: enterprises with an average annual number of employees from 20 to 99 persons and an annual turnover from 0.5 million to 1.5 million GEL.
- Small size enterprises: enterprises with an average annual number of employees of less than 20 persons and an annual turnover of less than 0.5 million GEL.

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<sup>10</sup> Council Regulation (EEC) No 696/93 of 15 March 1993 on the statistical units for the observation and analysis of the production system in the Community.

- (31) This definition of size classes is not consistent with the size classes defined in Regulation (EC) No 250/2009 which either is solely based on the numbers of persons employed (Annexes I to IV of SBS) or the number of employees (Annex IX of SBS).
- (32) NACE Rev 1.1 is still used in Georgia. The preparation of a national version of NACE Rev. 2 has been completed, but the formal adoption procedures are not yet finalised. GeoStat will produce a table showing the correspondence between the national versions of NACE Rev 1.1 and NACE Rev. 2 and make it available to the public.
- (33) The Classification of Products by Activity (CPA)<sup>11</sup> is also known and used in some fields like PPI, but currently only the old version from 2002 is available. The new Import Price Index (MPI), the implementation of which is envisaged for 2016, will also be based on the CPA.
- (34) The English version of the economic classifications in use is not accessible on the GeoStat website.

### **2.1.3 Business register**

- (35) Business registers can be considered as the backbone of any system of business statistics aiming at the production of high quality data. A well-developed business register may help to improve the efficiency of the system of business statistics. In fact, based on the potential to assemble existing information, registers may serve as a tool to provide additional statistical information on enterprises without increasing the administrative burden on businesses. Additionally business registers are the main source for business demography because they document the creation, mergers, splitting-up and closure of businesses.
- (36) The business register in Georgia has reached already a very high standard and is to a considerable degree compatible with EU standards. For each unit the following variables are available:
- Full name of enterprise;
  - Registration data;
  - Statistical code;
  - Tax code;
  - Legal address;
  - Actual address (only for limited number of entities);
  - Organisational-legal form;
  - Ownership type;
  - Phone and fax numbers;
  - E-mail address and web page (only for limited number of entities);
  - Name, surname, address and phone number of director;
  - Kind of economic activity on the 5-digit level of NACE Rev. 1.1 (only for limited number of entities);
  - Number of persons employed (only for active business entities);

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<sup>11</sup> Regulation (EC) No 451/2008 of the European Parliament and of the Council of 23 April 2008 establishing a new statistical classification of products by activity (CPA) and repealing Council Regulation (EEC) No 3696/93.

- Turnover (only for active business entities).
- (37) The classification of all units according to NACE Rev. 2 will be finalised in the near future, likely at the beginning of 2016. Double-coding of all units according to NACE Rev 1.1 and NACE Rev. 2 will allow disseminating annual business statistics for the reference year 2014 according to both versions of the classification.
- (38) Turnover is used as a proxy for value added to identify the principal activity of an entity. As pointed out in the Eurostat NACE Rev. 2 Manual<sup>12</sup> the simple use of the substitute criteria may be misleading. When using turnover as a proxy for value added, it should be taken into account that in certain cases turnover and value added are not proportional. For example, turnover in trade usually has a much lower share of value added than turnover in manufacturing. For some activities turnover is defined in a specific way which makes comparison with other activities not useful, e.g. financial intermediation activities or insurance activities. The present procedure needs to be improved according to the proposals put forward in the Eurostat Manual mentioned above.
- (39) Metadata documenting the processes used for maintenance and updating the register were developed in cooperation with experts from Statistics Sweden.
- (40) The updating procedures of the business register are to a remarkable degree automatised. Information from administrative sources is received monthly using automatic interfaces that GeoStat has developed with the databases of the owners of the administrative sources.
- (41) However, a number of problems exist:
- a) A full economic census – which could be used as benchmark – was never carried out in Georgia, mainly due to a lack of financial resources;
  - b) The quality of administrative data is not always adequate, because the information is not always complete and/or correct;
  - c) The identification of active enterprises is often very difficult and the key problem, because adequate information is not available;
  - d) Information on foreign control (“ownership type”) is not complete and needs to be checked systematically;
  - e) GeoStat conducts Computer Assisted Telephone Interviews (CATI) for the entities in the business register, in order to update information about the status, kind of economic activities and actual addresses on a regular basis. These direct contacts are often confronted with non-response.
  - f) The number of experts working on the business register is not adequate to integrate the missing information and to ensure a high quality of the register.

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<sup>12</sup> NACE Rev. 2 Statistical classification of economic activities in the European Community, Methodologies and Working papers; Luxembourg 2008.

## 2.2 Compliance with EU data requirements

### 2.2.1 SBS

- (42) The assessment focussed on the data requirements according to the Common module for annual structural statistics (Annex I) of Regulation (EC) No 295/2008. The Common module covers the entire target population of SBS. The list of variables to be observed on the enterprise level includes key variables such as turnover, production value, value-added at factor cost, personnel costs, gross investment and number of persons employed. The compliance with the data requirements and the concepts used in the Common module can be considered as the minimum obligation to be fulfilled.
- (43) The annual surveys carried out by GeoStat provide most of the information required according to the Common module of SBS. However, in order to reach full compliance it will be necessary to provide data for insurances, credit institutions and pension funds. As regards variables, at present no information is collected for operating surplus. The definitions of some variables, such as the one for the turnover and the production value, are not consistent with their respective definition in SBS. The necessary alignment with EU standards on size classes will require a redesign of the random sample for medium- and small-size units.
- (44) The annual survey covers all (approximately 3.800) big units with a turnover of 1.5 million GEL (ca. EUR 580,000) or employing more than one hundred persons. Stratified random sampling techniques are only employed for the medium- and small-size units. Administrative data are available for control purposes, validation and for imputing missing information.
- (45) This combination of full coverage of big units and the use of sampling techniques for medium- and small-size entities can be seen as a very good strategy to guarantee a high quality of the totals of a population which is characterised by a skew distribution. The skewed distribution of most of the core target variables is one of the fundamental reasons for different methods in business statistics, as well as in and person and household statistics<sup>13</sup>.
- (46) So far no business demography data are available, although policy makers and analysts would certainly appreciate to have such information available.
- (47) A special feature of the present system of business statistics in Georgia is that, in addition to the annual ones, also quarterly surveys are carried out. These quarterly surveys are very similar to the annual surveys as regards the basic concepts used and the variables included. The quarterly surveys provide information inter alia on employment, personnel costs and production value. The size of the sample of the quarterly surveys (approximately 11.000 in 2015) is smaller than the one for the annual survey (15.500 in 2015). The results of the quarterly surveys are inter alia the basis for estimating preliminary results on the annual level. However, the results of the quarterly surveys are not used for calculating indices as requested within the STS framework of business cycle indicators.

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<sup>13</sup> Wim Kloek, What makes business statistics different? Paper prepared for the European Establishment Statistics Workshop, Neuchatel 2011.

## 2.2.2 STS

(48) Compared to SBS, the situation is less favourable for STS. Only the following data are available:

- PPI for industrial products (monthly);
- SPPI for freight transport (monthly);
- Export price index (monthly);
- Price index for material inputs to construction industries (monthly);
- Information on issued permissions for construction and information on completed construction (quarterly).

(49) Work on the Construction Cost Index (CCI) has started, with the component on material costs already being available.

(50) Information on turnover is available from administrative sources on a monthly basis, but is not yet used for compiling STS indicators (indices) in volume terms. However, the rich pool of administrative information available should allow producing the required indicators in a cost-efficient way and with no major additional burden for the respondents.

(51) The design and the compilation of a full set of STS indicators will be the main challenge for the near future. The existing know-how in price statistics, particularly concerning the construction of indices and the determination of weights can be used. In the future, it will in particular be necessary to use such price indices to allow for the production of volume indicators. Index calculation such as the calculation of the production index (also known as an output index or a production volume index) starting from values such as turnover makes it necessary to deflate the data. So appropriate price indices have to be available in the course of the index calculation. In any case, the development of all volume indicators for industry, construction, trade and other services will require additional resources and expertise.

(52) Because so far no production-related and labour-related indicators (indices) according STS standards are produced in Georgia, most of the findings reported in chapter 2.4 on statistical processes and in chapter 2.5 on statistical outputs are related to the annual SBS-like surveys only.

## 2.3 Institutional environment

### 2.3.1 Principle 2 – Mandate for data collection

(53) The new Law of Georgia on Official Statistics, which entered into force on 1st of June 2015, strengthened the Office's mandate for data collection.

(54) The new Article 25. 3 states that “Unless otherwise provided for by the legislation of Georgia, legal entities registered in the Register of entrepreneurial and non-commercial legal entities are obliged to provide Geostat, upon Geostat's written request, including such request in electronic

form, with the available information (including confidential information) in paper or electronic form”.

- (55) GeoStat started to establish a system of sanctions in June 2015. It is envisaged that the reference to the new legal provisions and to the system of sanctions (after a first reminder in case of non-reporting there will be a sanction of GEL 200) will help to reduce unit non-response.
- (56) The access to administrative sources for statistical purposes is also covered by the new Article 25 in its second paragraph, which states that “Unless otherwise provided for by the legislation of Georgia, upon Geostat’s request, administrative bodies shall be obliged to provide available information on physical persons and legal entities of private law to Geostat, including confidential information and/or information containing personal data in line with the “Law on Personal Data Protection”.
- (57) Administrative data sources are already extensively used for the production of business statistics: information on active taxpayers (from the Revenue Service) is used for the production of business statistics, National Accounts (flash estimates on economic growth) and for updating the business register.
- (58) Data on registered and liquidated entities made available by the National Agency of Public Registry is essential for keeping the business register up-to-date. Information about permissions granted for construction and on completed objects (provided by the Architect Service) is used for the production of construction statistics and for the STS indicator on building permits.
- (59) Meta-information on tax data is available, and it is reported that in important cases the owners of administrative data are willing to take the needs of business statistics into account. GeoStat experts are in close contact with the owners of administrative information which is considered as relevant for statistical purposes.
- (60) The role of GeoStat in coordinating the activities with all the official statistics producing bodies and in issuing recommendations on statistical standards and methodology necessary for producing official statistics was already laid down in the previous version of the Law of Georgia on Official Statistics. Nevertheless, GeoStat is still confronted with difficulties to fulfil its coordination role with other producers of statistical information within the country.

### **2.3.2 Principle 3 – Adequacy of resources**

- (61) GeoStat’s management reports that they consider the available resources (human and financial) as fairly adequate, both in magnitude and in quality, to meet the country’s current statistical needs. As far as future challenges are concerned, GeoStat considers the situation as quite favourable with respect to SBS and less favourable with respect to STS. As already outlined in chapter 2.2.2, so far only price indices and information on building permits are available. All the volume indicators need to be developed. The design and the compilation of a full set of STS indicators (indices) will be the main challenge for the near future. Use can be made of the existing know-how in price

statistics. In any case, the development of all volume indicators will require additional resources and expertise.

- (62) The assessment provided by GeoStat in the SAQ on resources is very optimistic. To achieve the goal of full compliance with EU standards, without any doubts additional resources will be needed. The use of best practice developed and implemented in EU Member States, and international help might play an important role.
- (63) For the Business Statistics Division the total annual budget per 100,000 population is GEL 18.458, the share of Business Statistics Division budget in GDP amounts to 0.002%.
- (64) Because of an increase in wages and salaries, GeoStat has become more competitive in the national labour market. A sufficient degree of staff stability has been reached among experts in business statistics, but staff stability is still a problem when it comes to IT experts.
- (65) Respondents are invited to provide feedback as regards the scope and detail of business statistics. For this purpose, GeoStat organises focus group meetings with respondents, and feedback can be provided using a special e-mail address (info@geostat.ge).
- (66) Training for field work staff (interviewers, supervisors) is offered on a regular basis. Such training activities are of special relevance because the system for collecting, checking and editing data is decentralised to quite some extent. Data entry from all questionnaires takes place in the regional offices. The regional offices and the interviewers working for these offices are also responsible for direct contacts with respondents and for ensuring a high response rate.
- (67) The head of the Business Statistics Division and some specialists from this division visit each of the eight regional offices at least once a year in order to provide training. After this training, an evaluation of the knowledge of the field staff is carried out.
- (68) Special training – often IT-related - is provided to the specialist working in the field of business registers. Some information and training materials are also available for employees on GeoStat’s website.

### **2.3.3 Principle 4 – Commitment to Quality**

- (69) An Advisory Board was established as recommended in the Adapted Global Assessment (AGA)<sup>14</sup> of the National Statistical System of Georgia. The new Law of Georgia on Official Statistics includes a number of additional provisions with respect to the operation of this Board. The tasks of the Board include inter alia scientific analyses and provision of recommendations with regard to statistical standards and methodology used in statistical production (Article 14 1 c of the Law), the “review of modern methods of statistical activities and the submission of recommendations to the Board with regard to further enhancement of statistical methodology” (Article 14 1 d of the Law). So far GeoStat received little input from the Advisory Board.

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<sup>14</sup> See: [http://www.geostat.ge/index.php?action=page&p\\_id=1250&lang=eng](http://www.geostat.ge/index.php?action=page&p_id=1250&lang=eng)

- (70) Work for implementing the Eurostat Quality Assurance Framework (QAF)<sup>15</sup> is ongoing. As also recommended in the above-mentioned AGA, a joint Quality and Methodology Unit was established. This unit has already started working on a standardised system for documenting all statistical processes. This documentation makes use of a template<sup>16</sup> prepared according to the GSBPM structure. The next step will be the establishment of a standardised system of quality reports. It is envisaged to discuss the documentation of statistical processes with the main users. Quality reports will be published.
- (71) Main users and respondents are contacted in a systematic way to improve questionnaires. Such contacts are part of GeoStat's arrangements for quality management and primarily aim at improving and testing the survey questionnaires. As a result the questionnaires, in particular the electronic questionnaires include detailed explanatory notes, descriptions of how to derive the requested variables starting from the information in business accounts and a FAQ section.
- (72) As soon as the standardised system of quality reports according to QAF standards is fully implemented, all quality indicators as required according to European standards will be made available.

#### **2.3.4 Principle 6 – Impartiality and Objectivity**

- (73) The aims of business statistics are outlined in the questionnaires mentioned in the previous section, while a mission statement including the principle that all statistics should be compiled on an objective basis determined by statistical considerations only, was not developed yet.
- (74) At present, there is no official policy regarding the handling of errors discovered after dissemination. Neither is there an explicit revision policy for business statistics. The results of the quarterly surveys (see 2.2.1) are not revised on the basis of the results of the annual surveys although discrepancies exist and are documented.
- (75) In case of major revisions and changes in the methodologies, such as the redefinition of size classes of enterprises introduced in 2002, the public was informed in advance. The impact of the change is usually not notified to the public, but information is made available for internal use.

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<sup>15</sup> See: <http://ec.europa.eu/eurostat/documents/64157/4372717/Eurostat-Quality-Assurance-Framework-June-2013-ver-1-1-EN.pdf/352234ca-77a0-47ca-93c7-d313d760bbd6>.

<sup>16</sup> See for example: [http://www.geostat.ge/cms/site\\_images/\\_files/english/meta/PPI.pdf](http://www.geostat.ge/cms/site_images/_files/english/meta/PPI.pdf).

## 2.4 Statistical processes

### 2.4.1 Principle 7 – Sound methodology<sup>17</sup>

- (76) Some methodological documents containing guidelines for statistical operations and describing the methodological framework exist within GeoStat, but are not standardised yet. The main concepts, definitions and classifications used in business statistics are documented, published on the website and included in statistical publications.
- (77) At the time of this Sector Review, NACE Rev. 1.1 is still in use. However, double coding of all units according NACE Rev 1.1 and NACE Rev. 2 will allow disseminating statistics from the annual survey for the reference year 2014 according to both classifications.
- (78) An organisational structure monitoring the implementation and validating processes, such as the methods for sampling, methods for data editing and imputation and methods for weighting, is available but requires further improvement. At present the processes are monitored by the staff of the Business Statistics Division only. Experts in statistical methodology should be involved in the various processes; use should be made of the recommendations included in the Memobust handbook. The establishment of the joint Quality and Methodology Unit and the work started on the documentation of all statistical processes are important steps to improve the current situation.
- (79) At present, the experts dealing with statistical methods in GeoStat are neither familiar with the many methodological oriented Manuals and Handbooks published by Eurostat, nor with the knowledge repository available on the CROS portal. The consequences are inter alia unnecessary duplications of efforts because existing know-how is not used. The lack of awareness of the recommendations regarding best practices will reduce the comparability of results with data for EU member states.
- (80) Vocational training is offered, with emphasis on making use of the available software and other statistical tools.
- (81) Cooperation with the scientific community is weak and needs to be improved. The teaching obligations of the head of the Business Statistics Division and the provision that one member of the Advisory Board has to be a member of the scientific community could be used to intensify the collaboration. Memoranda of Understanding with some universities have already been signed<sup>18</sup>.
- (82) Each year GeoStat offers twenty-five students the possibility to work as (unpaid) trainees for some time (usually a month) in the office. This policy should improve the relationship with the academic world and help to recruit specifically-qualified staff.

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<sup>17</sup> The assessment referring to items 2.2, 2.3 and 2.7 of the SAQ were treated under Chapter 2.2.

<sup>18</sup> Information is published on: <http://www.geostat.ge/index.php?action=news&lang=eng&npid=877>.

- (83) New measures to improve the quality of data are introduced ad hoc when problems are encountered. For example, the imputation method was modified after the shift to the electronic questionnaire.
- (84) All business surveys are based on the business register. To design the sampling frame, three types of filters are applied:
- The first filter excludes all non-market activities such as non-profit institutions and legal units of public law;
  - The second filter refers to the scope of present surveys and excludes the units classified under NACE Rev. 1.1: J (Financial intermediation), L (Public administration), P (Private households employing domestic staff and undifferentiated production activities of households for own use) and Q (Activities of extra-territorial organizations and bodies);
  - The third filter excludes non-active entities.
- (85) Large size units are surveyed with full coverage, while small and medium-size units are surveyed using stratified random sampling method. There is full geographical coverage of the territory controlled by the central government.
- (86) The sampling frame used for the scope of this survey is updated regularly. A detailed documentation on the maintenance strategy (primarily based on administrative sources provided by the Revenue Service and the National Agency of Public Registry) is available for internal use, and it is planned to make this document available also to external user.
- (87) So far no attempts were made to reduce the response burden by coordinating consecutive or different business surveys. Business statistics data is collected through questionnaires, and a number of built-in controls are in place in order to minimise errors during data collection. Administrative data is extensively used for control purposes and for imputing missing information.
- (88) Within the framework of the cooperation between the two institutions, GeoStat's sampling methodology was revised and monitored by experts from Statistics Sweden. A number of reports containing recommendations have been prepared.

#### **2.4.2 Principle 8 – Appropriate Statistical Procedures**

- (89) As highlighted in the previous sections of this report, GeoStat makes extensive use of administrative data. The Revenue Service provides information on turnover, number of persons employed and wages, while information about permissions granted for construction and on completed objects is available from the Architect Service.
- (90) The identification keys from administrative sources are available for legal units and are documented in the business register. There are some differences in definitions, coverage etc. between administrative data and statistical concepts, which are well documented and described in the explanatory notes. Because of these differences, business statistics rely on a combination of survey and administrative data.

- (91) Questionnaires are prepared together with main stakeholders and tested on a regular basis. The organisation of focus group meetings for the preparation of more user-friendly questionnaires can be considered as a very good practice.
- (92) The very user-friendly electronic questionnaire includes detailed explanatory notes and answers to FAQ. A hotline is also available for providing additional clarifications. More than 50% of respondents already make use of the electronic questionnaire, most of them being large units. The electronic questionnaire includes built-in controls and plausibility checks in order to reach a high quality of reporting.
- (93) Some respondents still prefer to use paper questionnaires, and in this case the interviewers in the regional offices are responsible for checking and editing the information received and for entering the collected data.
- (94) As mentioned before, regular training is offered to field work staff. The quality of the data collecting and editing process is analysed regularly. After the field work has been completed, each regional supervisor submits a report on field work activities in which all activities conducted by a regional supervisor and the interviewers have to be documented. After the analysis of the reports from each of the regional offices, a combined final report is prepared. This report includes information about non-response and has to be submitted to the management of GeoStat.
- (95) Annual and quarterly surveys (see 2.2.1) are based on the legal unit as statistical unit. Size of the unit, region and kind of economic activity are used as stratification criteria.
- (96) In 2015, the size of the sample in the annual business survey for the reference year 2014 was approximately 15,500, about 22% of the sampling frame. In comparison to the previous year, the sampling size was increased from 12,500 to 15,500, because of the necessity of double coding according to NACE Rev 1.1 and NACE Rev. 2 and because of the objective to produce results at municipality level.
- (97) The sampling techniques for the random sample of small and medium-size units are well established; the methods for dealing with unit non-response and item non-response can be considered as being “state of the art” to a large extent.
- (98) In case of non-response from large enterprises, information from questionnaires submitted from the same unit in previous quarters or years (see 2.2.1) and/or from administrative sources is imputed. This procedure is applied for unit non-response and for item non-response. Quality checks are also carried out on the macro level.
- (99) Business survey questionnaires include some variables not included in the provisions on EU data requirements, but which are of special interest for Georgia. An example of this is the variable “final products of own production granted free”.

### **2.4.3 Principle 9 – Non-excessive burden on respondents**

- (100) Not all of the data collected from the business surveys are published. Only the results of ten of the thirty-five variables covered by the quarterly surveys are currently available to the public.
- (101) During the past years GeoStat implemented a number of measures to reduce the response burden, including the reduction and simplification of questions in the questionnaires, increased use of administrative data for the production of business statistics and development of a modern and user-friendly data collection system by means of an electronic questionnaire. So far no attempts were made to measure the time needed to fill in questionnaires and to quantify the response burden caused by business statistics. There is no policy in place to spread the reporting burden as widely as possible over survey populations.
- (102) As already mentioned before, the access to administrative sources for the purpose of compiling business statistics is granted by the new Article 25 of the Law of Georgia on Official Statistics, and there is close cooperation with the authorities owning administrative data sources.

### **2.4.4 Principle 10 – Cost Effectiveness**

- (103) The effective use of resources for the production of business statistics is subject to internal control. External controls concentrate on the costs on a rather global level. So far no system of time recording allowing for monitoring the costs of the various steps in the data generating process was implemented.
- (104) The introduction of electronic questionnaires and the increased use of administrative data sources in recent years helped to improve the efficiency of data collection and editing. The promotion of online survey questionnaires reduced the need for manual interventions and lead to some cost-reduction. Activities to use automatic techniques for data capture, data coding and validation have started, but are not documented yet.
- (105) The number of staff involved in business statistics is rather small. Twenty-four persons work in the Business Statistics Division, and the eight heads of regional offices are also very active in the field of business statistics. These numbers do not include the interviewers, who are to a considerable extent responsible for data collection and data validation in a structure which heavily relies on the work done in the regional offices.
- (106) In the medium term it might become necessary to assess the implications of the increased use of electronic data collection methods in order to evaluate whether the tasks of the regional offices related to of data collection (extensive use of interviewers through the regional offices) could be reconsidered.
- (107) The budget of the Business Statistics Division was increased by 6.7% in the period 2014 to 2015. This increase is partly due to additional statistical projects, an increase in the number of permanent staff and the number of interviewers (because the sample size was enlarged) and an increase in salaries.

## 2.5 Statistical outputs<sup>19</sup>

### 2.5.1 Principle 11 – Relevance

- (108) The Law of Georgia on Official Statistics does not require user consultation explicitly, but there are regular discussions with main users about the content of the statistical programme. So far no working group was established, which would meet on a regular basis. Meetings are held on an ad hoc basis, approximately once every year.
- (109) A release calendar<sup>20</sup> regarding business statistics is available for users on GeoStat's website, with an indication of all dates of publication. This release calendar is made available at the beginning of each year for the rest of the year. There is no pre-release of any statistical results in Georgia; all results are published at 11am at the given date.
- (110) Most of the results of business statistics are available on GeoStat's website as well as in PC-Axis database and database for Android phones<sup>21</sup>. Working day and seasonally adjusted monthly and quarterly time series are not yet available.
- (111) A user satisfaction survey was conducted in 2013 with the support of Statistics Sweden and in accordance with the recommendations included in the AGA for Georgia. The main goals of this survey were to acquire information on user satisfaction with data produced by GeoStat, on user opinions about the quality of the services provided and on the reliability of the information.

### 2.5.2 Principle 12 – Accuracy and Reliability

- (112) Coefficients of variation are calculated for quarterly and for annual surveys. For the annual survey the coefficient of variation for turnover is approximately 2%, for the number of employed persons 4%. The classification errors are estimated to be in the range of 1 to 4%.
- (113) So far no methodological notes on measurement errors were produced. Training of field staff and the active cooperation with data providers are considered the most important measures in order to reduce measurement errors.
- (114) All survey questionnaires are tested before the field work starts, and after the test phase each interviewer has to prepare a report. The final version of the questionnaire takes the findings of the test phase into due account. Finally, the survey questionnaires are then submitted for approval to the GeoStat Board.
- (115) The non-response rate is reported to be approximately 15% in the annual survey and approximately 30% for the surveys for the PPI. The non-response rate is the highest in case of

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<sup>19</sup> The information related to item 3.4 of the SAQ was already covered in Chapter 2.2.

<sup>20</sup> The release calendar for 2015 is available on [http://www.geostat.ge/index.php?action=page&p\\_id=23&lang=eng](http://www.geostat.ge/index.php?action=page&p_id=23&lang=eng).

<sup>21</sup> Both databases are available on [http://www.geostat.ge/index.php?action=page&p\\_id=1145&lang=eng](http://www.geostat.ge/index.php?action=page&p_id=1145&lang=eng).

small enterprises (around 19%), while for medium-size and large enterprises<sup>22</sup> it is between 10 and 12%. The by far most important reasons for non-response are that the unit addressed is no longer active (annual survey) or is no longer active/or does no longer produce the requested products (PPI).

- (116) As mentioned before, unit non-response is taken into account in the grossing-up procedure. In case of non-response of large enterprises information submitted from the same enterprises in previous quarters or years and/or data from administrative sources is imputed.
- (117) For the annual business survey the imputation rate for the full questionnaire is only 3.5%, for the most important variable approximately 5%. The imputation rate for the PPI is reported to be approximately 15%.
- (118) At present, data is not revised. As mentioned above, so far no quality reports are available for SBS and STS, but efforts in this direction have been started.

### **2.5.3 Principle 13 – Timeliness and Punctuality**

- (119) Business statistics are released in a very timely manner. Full compliance with EU standards is already ensured in this respect. The results of the annual business survey (comparable to SBS) become available nine months after the end of the reference year. PPIs are published fifteen days after the reference period, data on building permits one month after the reference period.
- (120) The results of the quarterly surveys can be considered as a kind of preliminary data for the results of the annual survey. They are used in such a manner by National Accounts. The results of quarterly surveys are not revised when the results of the annual survey become available.

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<sup>22</sup> As outlined in chapter 2.1.2 the definitions of the size classes of the enterprises distinguished at present are not consistent with the size classes according to EU standards.

**Table 1 – The main phases of the SBS and STS data production process in GeoStat**

Monthly/ Quarterly/ Annual results for the year 2013	Main dates in the national production process					Reasons for late delivery if this has occurred
	Date of data collection beginning	Date of end of data collection	Date of end of quality check and weighting for statistics published in press release	Date of national publication of press release	Date of national disseminatio n of microdata and metadata	
<b>SBS</b>	15.03.2014	30.05.2014	15.09.2014	1.10.2014	1.10.2014	-
<b>STS</b>	1 <sup>st</sup> day of the month after the reference month (for monthly surveys)	Not later than 8 <sup>th</sup> day of the month after the reference month (for monthly surveys)	-	15 <sup>th</sup> day of the month after the reference month (for monthly surveys) and 30 <sup>th</sup> day for the previous quarter (for quarterly surveys)	15 <sup>th</sup> day of the month after the reference month (for monthly surveys) and 30 <sup>th</sup> day for the previous quarter (for quarterly surveys)	-

(121) The information provided for SBS refers to the annual surveys (see 2.1.1). The information offered for STS refers to the compilation of price indices and the collection of data for the indicators on building permits only, because at present these are the only indicators produced by GeoStat.

#### **2.5.4 Principle 14 – Coherence and Comparability**

(122) Internal data coherence is monitored but not documented. Despite all training efforts there is the risk that the system of data collection and data validation, which so heavily relies on the work done in the regional offices, might result in lack of comparability among regions, size classes and activities. In the interest of consistency, it seems advisable to centralise some of the processes.

(123) Over the last years there were no major changes in concepts that would reduce comparability over time, with one exception: in 2010 the Law on Official Statistics of Georgia was changed with the effect that reporting to GeoStat was no longer mandatory, leading to an increase of the non-response rate from 1.1% to 5.7% in annual business surveys.

(124) The shift to NACE Rev. 2 will result in a major break in all time series. The full alignment of the annual surveys with the SBS standards will also lead to a discontinuity in time series. In order to avoid too many breaks it is therefore recommended to wait with the implementation of NACE Rev. 2 until the legislative changes planned under FRIBS are in place.

- (125) There were a number of changes affecting comparability over time of the statistical processes in the SBS related annual survey. Since 2011 GeoStat has full access to administrative data sources, which are used for updating the business register and the sampling frame. In cooperating with experts from Statistics Sweden, the sampling design was changed. The electronic questionnaire was introduced three years ago.
- (126) In 2012, the sampling frame for the PPI was modified and since 2012 information from National Accounts is used as the main source for compiling weighting schemes. In 2013 online questionnaires were introduced.
- (127) The discrepancies (average 3 to 7%) between quarterly and annual data can be primarily explained by the fact that not all the data requested in the surveys on a quarterly basis are readily available in the accounting systems of the respondents.
- (128) The main deviations from EU concepts in SBS have already been mentioned: the statistical unit is at present the legal unit, NACE Rev. 1.1 is still in use, and GeoStat employs a different breakdown by size classes.

#### **2.5.5 Principle 15 – Accessibility and clarity**

- (129) Most of the business statistics are available in electronic format since 2013, only a few results are included in printed publications such as the Statistical Yearbook, Entrepreneurship in Georgia<sup>23</sup>. All the information on the website of GeoStat is also available in English.
- (130) Complete metadata are not yet available, but will be provided in the near future. Custom-designed analyses are provided on request. The fact that such analyses were made available is however not documented for the general public.
- (131) Access to micro-data for research purposes is granted, if statistical confidentiality is guaranteed, but there is no official policy regarding the procedure.
- (132) A hotline was installed to answer questions related to statistical results and background information such as methods, dates of publications etc.

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<sup>23</sup> Publications are available on [http://www.geostat.ge/index.php?action=wnews\\_archive&qy=1&lang=eng](http://www.geostat.ge/index.php?action=wnews_archive&qy=1&lang=eng).

### **3. Recommendations**

#### **3.1 Statistical infrastructure**

##### **3.1.1 Statistical units**

**Rec. 1** There is a **strong need to finalise the work on the delineation of all enterprises, KAUs and local units** according to the concepts laid down in Regulation (EEC) No 696/93.

##### **3.1.2 Classifications**

**Rec. 2** It is recommended to **implement a full documentation system for all classifications used in business statistics**

- a) *The entire system of international and national classifications should be well documented on the website and be part of a classification database.*
- b) *The national version of NACE Rev. 2 should be easily accessible on the website in all its detail. Training in understanding and using NACE Rev. 2 should be offered throughout the NSS.*
- c) *Conversion tables between the NACE Rev 1.1 and NACE Rev. 2 should be part of a classification database for current and previous versions of classifications.*
- d) *The properties of NACE Rev. 2 and the differences to NACE Rev.1.1 should be explained in detail.*
- e) *It is recommended to publish a press release as soon as the national version of NACE Rev. 2 is approved.*
- f) *Special attention should be paid to the role of the CPA 2008 as the common framework for all information in a breakdown by products.*

**Rec. 3** **The process of changing to NACE Rev. 2 needs to be finalised.**

##### **3.1.3 Business register**

**Rec. 4** **The central role of the business register should be further strengthened.**

- a) *The procedure for cleaning the business register of non-active entities needs to be improved.*
- b) *The method of assigning a NACE code according to its principal economic activity has to be refined; additional substitute criteria other than turnover should be used as proxies for the unknown value-added, to obtain the best approximation. For example, turnover in trade usually has a much lower share of value added than turnover in manufacturing. It is recommended to proceed according to the proposals put forward in the Eurostat Manual "NACE Rev. 2 - Statistical classification of economic activities in the European Community".*
- c) *The register should contain complete and up-to-date information on foreign control ("ownership type") of domestic legal units; such an extension would permit producing results on Inward FATS without the necessity to carry out additional surveys.*

- d) *In the medium term and as a first step towards Outward FATS, it is recommended to document information on the existence of foreign affiliates of Georgian legal units in the business register.*
- e) *The identification of multinational enterprise groups would be a natural next step.*
- f) *All entities should be coded according to the institutional sectors distinguished in the ESA 2010. The codes need to be checked annually.*
- g) *It is recommended to establish a task force with experts from other divisions of GeoStat and other institutions such as the Central Bank for the classification of big units.*
- h) *The number of experts working on the business register needs to be increased in order to integrate information missing at present and to guarantee a high quality of the register. The recommendations included in Eurostat's "Business registers Recommendations manual" should be used.*

## **3.2 Meeting EU data requirements**

### **3.2.1 SBS**

#### **Rec. 5 Aligning the annual survey to EU standards and orientation on the future data requirements as contained in the FRIBS.**

- a) *This process of step-wise alignment to EU standards should be based on the future data requirements within the FRIBS in order to avoid duplications in efforts and too many breaks in time series. First steps should however be taken very soon. Necessary steps include:*
  - a. *Extension of the scope.*
  - b. *Integration of variables currently missing.*
  - c. *Adjustment of all definitions to EU standards.*
  - d. *Adjustment of the breakdown by size classes to EU standards; this shift will require a revision of sampling schemes.*
- b) *Proposals for annual statistical domains/projects closely related to SBS:*
  - a. *Back-casting of core results of the annual surveys in a breakdown according to NACE Rev. 2.*
  - b. *Compilation of Inward FATS as soon as the information on foreign control in the business register is complete and reliable.*
  - c. *Development of a system of business demography.*
  - d. *Coordination with planned and ongoing activities in the fields of ICT, Innovation, R&D and Labour cost statistics.*

### **3.2.2 STS**

#### **Rec. 6 It is recommended to implement all the requirements concerning the STS as laid down in the current Regulation (EC) No 1165/98 and the requirements contained in the FRIBS.**

- a) *This process of step-wise implementation of EU standards should be based on the future data requirements within the FRIBS in order to avoid duplications in efforts and too many breaks in time series. First steps should however be taken very soon. Necessary steps include:*

- a. *Development of missing indicators in the field of industry, construction, trade and other services.*
  - b. *Adjustment of all definitions to EU standards.*
  - c. *Setting up and publication of the construction cost index.*
  - d. *In the case of SPPI extension to services other than freight transport.*
  - e. *Production of an XPI Index as a part of PPI.*
  - f. *Implementation of CPA 2008 in case of MPI.*
- b) *The richness of administrative information should however allow producing the required STS indicators in a cost efficient way and with no major additional burdens to respondents:*
- a. *It is recommended to check whether the data collected in the quarterly business surveys are suitable to derive some short-term indicators.*
  - b. *The existing know-how in price statistics in arriving at weighting schemes, etc. should be used in the process of compiling all composite indices missing at present.*
  - c. *Examine the possibility for using VAT data.*
- c) *The development of all volume STS indicators will require additional resources and expertise.*

### **3.3 Institutional environment**

**Rec. 7 Information on the system of sanctions**, which came into force in June 2015, **should be made available on the website.**

**Rec. 8 New efforts aiming at strengthening the coordination role of GeoStat need to be started.** Establishing high level working groups, which meet on a regular basis, might be helpful in this respect. It is advisable to involve the already existing Advisory Board actively in this institutional framework.

**Rec. 9 It is recommended to further intensify cooperation with the owners of administrative data.** The staff responsible for administrative data should be fully aware of the role that their information plays for high-quality statistical evidence.

**Rec. 10** In view of the many challenges that GeoStat will face in the near future (extension and adaptation of annual surveys to SBS standards, development of STS, etc.) **an increase in the number of staff is needed.** In order to limit the allocation of additional resources, extensive use should be made of best-practice developed and implemented in EU Member States and the ESS in general. It is also advisable that GeoStat **asks for international help.**

**Rec. 11 It is advisable to formulate a mission statement.** Such a mission statement should refer to the main principles such as impartiality, objectivity, as well as statistical confidentiality. The mission statement should be made available on GeoStat's website and cover the statistical office as a whole. The availability of such a general mission statement is of special relevance for the reputation and the acceptance of business statistics.

**Rec. 12 To develop an explicitly formulated revision policy is recommended.** A document outlining the revision policy for different areas of statistics including on those business

statistics for which this is relevant, should be prepared and made available on GeoStat's website.

**Rec. 13 Errors detected in statistics already published should be corrected as soon as possible.**

The fact that an error was detected and information on the error have to be published on GeoStat's website. A document describing the policy with respect to the reaction to errors detected – as part of a general policy in all domains - should also be made available on the website.

**Rec. 14 In order to improve services to the users, major changes in the system of business statistics should be announced in advance.** It is recommendable to supplement this announcement with some estimates on the probable effects and implications of the change in concepts or processes.

### **3.4 Statistical processes**

**Rec. 15 The development of general standards for sampling, editing, etc. is highly recommended.** The standards should take well established best-practice into account and be designed on the basis of documents such as the Memobust Handbook.

**Rec. 16 The implementation of standardised documentation of statistical processes** should be seen as a first step towards a comprehensive **system of quality reporting**.

**Rec. 17 It is recommended to establish a specific organisational framework, a permanent working group, for the assessment of all statistical processes.** The working group should consist of experts in business statistics, but also of experts of other divisions of GeoStat, such as experts of the joint Quality and Methodology unit. External experts from the academic world and representatives of the main stakeholders should be invited to participate in this process as well.

**Rec. 18 There is a clear need for additional training,** in particular in fields new to GeoStat such as the design of STS indicators in volume terms, methods of working day and seasonal adjustment, etc. The training should be based on documents such as Eurostat Manuals and on ESSnet results such as Memobust, the Centre of Excellence (CoE) on seasonal adjustment and the CoE on statistical confidentiality. Training in English is also highly recommended to enable staff to read international methodology documents and to access knowledge repositories.

**Rec. 19 The cooperation with the scientific community should be intensified.**

**Rec. 20 A stronger involvement in the international community (participation in conferences, workshops) is advisable.** Such an involvement could facilitate the transfer of existing know how in the field of business statistics.

- Rec. 21** The **documentation on updating procedures of the business register has to be made accessible for the public**. Such metadata is essential for the adequate interpretation of many business statistics.
- Rec. 22** All **data collected in the annual and quarterly surveys need to be published**, at least in the form of “working tables” available on the website.
- Rec. 23** The **response burden and the evolution of response burden**, as well as the factors behind this evolution, should be measured in a systematic way. In this respect, it is advisable to distinguish between the burden caused by the use of traditional (paper) questionnaires and the one caused by the use of electronic questionnaires. The results of these measurement efforts should be published in a visible way. They are relevant for policy makers and for businesses and can help to increase the reputation of GeoStat. The rich experience gained in producing “response burden indicators” in many EU Member States should be used.
- Rec. 24** The **implementation of a time recording system** might help to monitor the costs of the various steps in the data generating process.

### 3.5 Statistical outputs

- Rec. 25** It is recommended to **intensify the dialogue with users and to establish a working group for business statistics, which should** meet regularly.
- Rec. 26** The **policy regarding the release calendar should be modified**; publication dates should be made available at least three months in advance.
- Rec. 27** It is advisable to **carry out user satisfaction surveys**; not necessarily annually but on a regular basis (perhaps every four years).
- Rec. 28** **Quality reports according to EU standards should be made available**; they should include a detailed description of the processes used for dealing with unit and item non-response (see also Rec. 16).
- Rec. 29** The **publication of an official policy document for the access to micro-data for scientific purposes** should be foreseen. Such a publication would promote the use of data for scientific purposes and stimulate the cooperation with the scientific community.
- Rec. 30** It is **highly recommended to document the fact that custom-made statistical output was made available** on the website whenever such output was provided on request.
- Rec. 31** The **provision of key results of business statistics in printed form** (folders etc.) might be favourable for the reputation of GeoStat, and is therefore recommended.
- Rec. 32** **Trust in statistical confidentiality is essential for the quality of statistical reporting by the reporting units**, especially in the field of business statistics. The present Law of Georgia on Official Statistics contains the provision that “confidential statistical data shall not be issued or disseminated or used for a non-statistical purpose but for the exceptions envisaged by the Georgian legislation” (Article 28). This provision allows courts to ask for access to statistical information. **It is strongly recommended to delete this provision** from the Law

of Georgia on Official Statistics. According to recital (27) of Regulation (EC) No 223/2009<sup>24</sup> "The use of confidential data for purposes that are not exclusively statistical, such as administrative, legal or tax purposes, or for the verification against the statistical units should be strictly prohibited".

**Rec. 33** The fact that **guidelines on the handling of confidential data** are in place for all staff members and that all staff (including the interviewers) have to sign a declaration that they have read and understood the guidelines **should be documented on the website**.

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<sup>24</sup> Regulation (EC) No 223/2009 of the European Parliament and of the Council of 11 March 2009 on European statistics and repealing Regulation (EC, Euratom) No 1101/2008 of the European Parliament and of the Council on the transmission of data subject to statistical confidentiality to the Statistical Office of the European Communities, Council Regulation (EC) No 322/97 on Community Statistics, and Council Decision 89/382/EEC, Euratom establishing a Committee on the Statistical Programmes of the European Communities.

## **4. Roadmap and priorities**

This chapter includes a few considerations concerning priorities for GeoStat, as well as a roadmap towards the implementation of the recommendations presented in the previous chapter. The chapter is not ‘exhaustive’ and is only limited to the most relevant and interrelated recommendations.

The first group of measures contains the ones that are of strategic importance, and are necessary conditions for the implementation of other measures. The implementation of SBS and STS according to FRIBS is crucially dependent on the implementation of the recommendations related to statistical infrastructure.

The first group also includes reference to some recommendations (such as to Rec. 22 and 26), which could be implemented rather easily and in the near future.

### **4.1 Top priority measures - implementation should be finished soon**

- Finalise the activities on the delineation of all enterprises, KAUs and local units (Rec. 1).
- Full implementation of NACE Rev. 2 (Rec. 3).
- Measures related to the business register (in particular Rec. 4a and 4b).
- Publication of the CCI (Rec. 6a).
- Publication of all data produced on the website (Rec. 22).
- Modification of the publication of the release calendar (Rec. 26).

### **4.2 High priority measures - implementation should at least be started 2016**

- SBS – Preparation of all the necessary steps towards a revision of the system of annual surveys according to the concepts of FRIBS (Rec. 5a and 5b).
- STS – Design and development of a full elaborated system according to the concepts of FRIBS (Rec. 6a and 6b).
- Information on the system of sanctions in place in the case of non-reporting (Rec. 7).
- Measures aiming at strengthening the coordination role of GeoStat (Rec. 8).
- Increase in human resources; need for additional external expertise (Rec. 10).
- Formulation of a mission statement (Rec. 11).
- Development of general standards for statistical processes such as inter alia for sampling, editing (Rec. 15).
- Stepwise establishment of the process documentation and quality reporting system (Rec. 16, Rec. 28).
- Establishment of a permanent working group on business statistics (Rec. 17).
- Additional training efforts (Rec. 18).
- Intensification of the cooperation with the scientific community (Rec. 19).
- Measurement of the response burden on a regular basis (Rec. 23).
- Publication of an official policy for the access to micro-data for scientific purposes (Rec. 29).
- Documentation of custom-made statistical output made on the website (Rec. 30).

### **4.3 Top priority measures - implementation in the medium term**

- Full implementation of SBS according to FRIBS (Rec. 5).
- Full implementation of STS according to FRIBS (Rec. 6).

## **5. Annexes**

## Annex 1: Sector review agenda



### Agenda

#### Sector review business statistics

July 5-10, 2015

Tbilisi, Georgia

#### Monday, July 6

09:30 Departure for the National Statistics Office of Georgia (Geostat)

10:00-11:00 Welcome and introductory meeting with the top management

11:00-11:15 Coffee Break

11:15-13:00 Institutional environment

*Principle 2 –Mandate for data collection*

13:10-14:10 Lunch

14:15-15:45 Institutional environment

*Principle 4 –Commitment to Quality*

*Principle 5 – Impartiality and Objectivity*

15:45-16:00 Coffee Break

16:00-17:15 Cross cutting infrastructure on which business statistics is based

*Statistical units and their delineation*

*Business registers and their maintenance*

*Classification used, principles of classifying units*

17:15 Departure for the Hotel

## **Tuesday, July 7**

09:00 Departure for the Geostat

09:30-11:00 Statistical processes

*Principle 7 – Sound methodology*

11:00-11:15 Coffee Break

11:15-13:00 Statistical processes

*Principle 8 – Appropriate Statistical Procedures*

13:10-14:10 Lunch

14:15-15:45 Statistical processes

*Principle 9 – Non-excessive burden on respondents*

15:45-16:00 Coffee Break

16:00-17:15 Statistical processes

*Principle 10 – Cost-effectiveness*

17:15 Departure for the Hotel

## **Wednesday, July 8**

09:00 Departure for the Geostat

09:30-11:00 Statistical Outputs

*Principle 11 – Relevance*

*Principle 12 – Accuracy and Reliability*

11:00-11:15 Coffee Break

11:15- 13:00 Statistical Outputs

*Principle 12 – Accuracy and Reliability*

*Principle 13– Timeliness and Punctuality*

13:10-14:10 Lunch

14:15 – 15:45 Statistical Outputs

*Principle 14– Coherence and Comparability*

15:45-16:00 Coffee Break

16:00- 17:15      Statistical Outputs

*Principle 15– Accessibility and Clarity*

17:15              Departure for the Hotel

## **Thursday, July 9**

09:30              Departure for the Geostat

10:00-11:00      Recommendations, final meeting

*Plans for the future, roadmap for their implementation*

11:00-11:15      Coffee Break

11:15-13:00      Recommendations, final meeting

*Identification of key issues in the field*

*Recommendations for future actions*

*Recommended timetable for implementation*

13:10-14:10      Lunch

14:15-15:45      Recommendations, final meeting

*Recommendations for future actions*

*Recommended timetable for implementation*

*Conclusions*

15:45              Departure for the Hotel

## **Annex 2: Organisation of the Sector Review and material available**

The meetings were very well prepared and organised by representatives from GeoStat. All the necessary information and documents were provided timely in advance, a fact which proved very important for the success of the review. The discussions substantially benefitted from the very active and open-minded participation of the experts from GeoStat and from their high degree of flexibility. Whenever viable, also experts from other fields of statistics, such as price statistics, participated in the discussions.

The meetings followed an agenda which was drafted by the experts and organised by GeoStat, the final detailed version of which was provided by GeoStat a few days before the visit to Tbilisi (please see Annex 2). The review primarily followed the structure of the Self-Assessment Questionnaire (SAQ) developed by Eurostat. This SAQ is organised according the Principles of the European Statistics Code of Practice (ESCoP) and covers almost all of its principles.

On the first day, GeoStat management provided an overview of the organisational structure of the Statistical Office as well as on its recent activities and future plans. During the following days, a detailed description of available data in the field of business statistics in Georgia was provided. This inventory of the status quo was confronted with the present and future data requirements in the fields of SBS and STS. On the last day, plans for the future, recommendations and the timetable for their implementation were presented by the experts and discussed with GeoStat representatives.

The experts also provided information on the forthcoming revisions of the European system of business statistics under the Framework Regulation on Integrated Business Statistics (FRIBS). All the efforts of GeoStat to reach full compliance with EU standards and data requirements should take the coming legal situation into account in order to avoid duplication of efforts and too many breaks in time series.

The discussion also covered the field of statistical confidentiality (Principle 5 of the ESCoP) and the use of business statistics for National Accounts purposes. In this context, a number of borderline cases and their implications for the definition of turnover, production value and the treatment of subsidies were examined.

The present system of business statistics was also assessed according to the EU legal framework for business statistics. In addition to the data requirements already mentioned above, due attention was paid to the compliance with definitions of variables in business statistics and the breakdown by size classes.

The findings and the recommendations of this Sector Review are primarily based on the material provided by GeoStat and on the documents listed in section 1.3 of this report. The additional clarifications and examples provided during the mission were also very helpful.

The main sources used to carry out this Sector Review were:

- Answers to the SAQ provided by GeoStat;
- Answers to additional questions asked by the experts in advance;
- The Law of Georgia on Official Statistics<sup>25</sup> (English version), provided by GeoStat one week before the meeting;
- Charter of the Board of LEPL National Statistics Office of Georgia;
- Materials available in English on GeoStat<sup>26</sup> website;
- Document “Practical Examples for Guidelines” provided by GeoStat during the meeting;
- Power Point Presentation “Geostat’s information users survey, 2013”, provided by GeoStat after the experts’ visit to Tbilisi.

Additional background information used by the experts:

- IMF Report “Georgia: Report on Observance of Standards and Codes—Data Module”, March 2012;
- Adapted Global Assessment of the National Statistical System of Georgia; April 2013<sup>27</sup>.

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<sup>25</sup> [http://www.geostat.ge/cms/site\\_images/Law%20of%20Georgia.pdf](http://www.geostat.ge/cms/site_images/Law%20of%20Georgia.pdf).

<sup>26</sup> <http://www.geostat.ge/index.php?action=0&lang=eng>.

<sup>27</sup> [http://www.geostat.ge/index.php?action=page&p\\_id=1250&lang=eng](http://www.geostat.ge/index.php?action=page&p_id=1250&lang=eng).