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Proposal for a cooperation project between National Statistics Office of Georgia (Geostat) and Statistics Sweden (SCB)

Report from a project identification mission to
Tbilisi, Georgia
15– 26 November, 2010

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Project:	Project identification mission
Project funding:	Swedish International Development Cooperation Agency, Sida
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Mission period:	15 – 26 November, 2010
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Abbreviations and acronyms

Geostat	National Statistics Office of Georgia
RBM	Result Based Management
SCB	Statistics Sweden *(Statistiska Centralbyrån)*
Sida	Swedish International Development Cooperation Agency
DCFTA	Deep and Comprehensive Free Trade Agreement
HRD	Human Resource Development
LTA	Long Term Advisor
STC	Short Term Consultant
MCG	Millennium Challenge Georgia
CPI	Consumer Price Index
PPI	Producer Price Index
NA	National Accounts
HRD	Human Resources Development
GDP	Gross Domestic Product

1 Summary

Sida HQ has funded a Project Identification Mission (PIM) to Georgia, carried out by Statistics Sweden. The decision of funding such an activity was taken by Sida after a request from the National Statistics Office of Georgia, Geostat.

The PIM, carried out during two weeks in November 2010, has identified three main areas to include in the project proposal, support to the development of statistical methods, price statistics and national accounts. Furthermore, the proposal also comprises collaboration in improving business statistics, implementing commissioned statistics and management and human resources development issues.

The proposal covers a period of three years, May 2011 – April 2014. It includes one long term advisor, 45 short term missions and six study tours. The total cost for the project is estimated to 16.554 million SEK (with current exchange rate 2.411 million USD, equal to 4.323 million GEL).

2 Introduction

In July 2010, the National Statistics Office of Georgia, Geostat, approached Sida in Tbilisi requesting support to strengthen its capacity. In September Statistics Sweden made a two-day visit to Geostat to evaluate the preconditions for cooperation. Discussions with Sida in Tbilisi and Geostat led to the conclusion that Sida HQ should be contacted in order to get a Project Identification Mission (PIM) funded.

The mission spent two weeks in Georgia (15 -26 November). A proposal was submitted to Sida at the end of the mission. The proposal was elaborated jointly by Statistics Sweden and Geostat.

The proposal is based on in-depth interviews with key staff at Geostat, complemented by meetings with the two main stakeholders, the National Bank and the Ministry of Finance. The mission also met with Sida-representatives, an EU-TAEX-mission and one representative from a Swedish supported project.

3 Development Objective (Goal)

The overarching objective of the Swedish development cooperation with Georgia is for the country to develop towards a democratic and accountable state, forging closer ties with the EU. The proposed project is in line with the cooperation strategy for development cooperation with Georgia mainly in sector for democracy, human rights and gender equality with the objective:

“Strengthened democratic structures and systems, with a focus on human rights and gender equality”

However, it is also relevant for the market development sector where Sida has been given the task to strengthen Georgia’s capacity to negotiate, conclude and implement a DCFTA where reliable statistics is important. Support should preferably make use of opportunities of cooperation between Swedish and Georgian authorities.

A project of this kind is essential for further development of the Georgian national statistics system in order to ensure reliability of statistical data and improve the quality.

4 Mission objectives

4.1 Terms of reference

The complete Terms of Reference are enclosed to this report as Appendix 1.

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Objectives and purpose
The mission shall assess the conditions for successful Geostat capacity development in selected areas. It shall look into the existing Geostat capacity and indicate a set of solutions in order to tend to the identified priority needs. A distinction should be made between technical/professional, organisational and institutional capacity development needs.

SCB's capacity to support the identified needs shall be considered. Furthermore, the Geostat capacity to absorb assistance in proposed areas, its economic sustainability, public and other stakeholders' need of statistics should be analyzed considering the possible need for continued public financing. Input from other donors should be described and taken into consideration in order to avoid overlapping. An exit strategy should be considered in the project proposal.

The mission will draft a project proposal for a project based on the following assumptions:

1. The project should last for approximately three years
2. There should be one long-term advisor resident in Tbilisi
3. The project should include short term missions from Statistics Sweden and study visits mainly to Statistics Sweden

The report shall provide a Result Based Management (RBM) analysis for the selected areas and apply gender mainstreaming where relevant.

Specific objectives
According to the outcome of the previous mission, the project identification mission shall focus on support for the following areas:

1. Statistical methods

2. National accounts
3. Price statistics (CPI and PPI)

Furthermore, support for the following areas should be discussed:

4. Commissioned statistics. Marketing and setting of prices
5. IT strategies, including assessment of access to investment funds, if required
6. Business statistics
7. Management incl. Human resource development

For the selected areas, the mission shall

- Make an analysis of stakeholders' needs
- Assess the current production of statistics
- Investigate other donor support to Geostat
- Examine the human and financial resources at Geostat
- Outline a project proposal based on RBM (including objectives, work areas, risks and measures for risk mitigation)
- Outline the project management
- Outline a project budget

5 Statistics in Georgia

5.1 Problem analysis

The main areas of Geostat activities are national accounts, price statistics, business statistics, agriculture statistics, integrated household survey (including labour survey) and demography.

From June of this year, Geostat is implementing World Bank funded project "National Statistics System Development Strategy". The grant amount is 280 800 USD and the project aims to help Georgia to design a National Statistics Development Strategy. This project has three components: diagnostics and assessment current conditions and needs; draft strategy; a master plan (presumably a three-year strategic plan). In parallel to working with the World Bank, Geostat works with other donors too.

At present, our concerns are related to statistical methodology: sampling, questionnaire design, definitions and classifications, processing, data analysis and data editing. Besides, Geostat needs to strengthen credibility; there is no clear IT strategy; regional offices contribute insufficiently to quality data collection; the infrastructure (especially regional) is not up to the desired standards.

Methodologies used by Geostat are internationally recognized, the problem might be how properly those methodologies are used. To be more specific, intellectual support is mostly needed rather than technical assistance.

Some more specific needs in each area where assistance would be particularly helpful include:

- GDP – evaluation of possibilities related to compiling real GDP by expenditure method (at present only nominal GDP by expenditure method is calculated); public sector compilation and deflation (public administration, education, health); capital account compilation.
- CPI –improvements in the design of CPI basket;
- Integrated Household Survey – sampling, data analysis;

- Business statistics – data analysis;
- Census – use of IT technologies, GIS, in particular.

5.2 The legal framework

A statistics law was passed in December 2009. The application of the law was stipulated in February 2010. The goal of the law is to ensure producing independent, objective and reliable statistics in Georgia based on internationally recognized principles of statistics. The law defines the essence, goal and principles of the official statistics and prescribes the legal foundations for producing the statistics and storing and disseminating the information derived as a result of producing the statistics, and for conducting the population census. Furthermore, the law defines the system of bodies responsible for the official statistics and the functions thereof.

It should be noted that it is not compulsory to reply to Geostat surveys. At least in the future, this could be a growing problem.

5.3 Geostat's organisation

Geostat is lead by an Executive Director, also acting as chairman of the Board of Geostat. The board has several reviewing and approving responsibilities. The National Bank, the Ministry of Economic Development and the Ministry of Finance are represented in the board. There are also five non public servants in the board.

Geostat is organized into divisions, managed by Heads of Divisions. Two Deputy Directors are responsible for groups of divisions. The current organization is according to the chart in Appendix 3. Not included in the chart is a Methodological Division consisting of three persons.

5.4 National statistics in Georgia

The coverage of the statistics produced in Georgia is for the de facto controlled territory of the country. The break-away regions, Abkhazia and South Ossetia, are parts of Georgia but not controlled by the central Government and no quick political solution seems to be likely. The status of these regions makes it impossible for Geostat to collect data from these parts of the country and no statistical estimations are made for these regions.

6 Analysis of selected areas and project proposals

6.1 General aspects

The general impression of Geostat is that it is understaffed considering user demands. Adequate training is arranged for different staff categories, but still the competence needs to be improved both theoretically and in practice.

Geostat has a fruitful cooperation with the Statistical Office in Latvia. Several study visits have been conducted to learn from a country that has developed from being in a similar situation as Georgia is today. It is recommended that this cooperation should continue in parallel with the cooperation with Statistics Sweden.

An important way of improving statistics in Georgia is to establish a closer collaboration between Geostat and national bodies, both Governmental agencies, as the Ministry of Finance and the National Bank, and other Georgian organisations.

In addition to closer collaboration, training of the users of statistics should be considered. This is to raise both the knowledge and understanding of the statistics, but also to increase the overall awareness of Geostat and official statistics.

6.2 Statistical methods

6.2.1 Identification of needs

The overall goal is to strengthen the general statistical capacities of Geostat with respect to statistical methodology in the prioritised statistics and ultimately to ensure that the statistics can meet with national requirements, EU and international regulations and standards (best practices).

In order to identify the needs of Geostat, discussions with representatives from each of the statistics producing divisions took place, typically the division heads, and staff of the Methodology division (currently two employees including the head) and also with the executive director and deputy executive director. The general impression is that the staff of Geostat are highly qualified and experienced within their respective fields although some areas are in need of improvement. There is awareness of the current problems and also as to where the gaps in knowledge and experience are. Several problems and needs were found to be common to all or to be variations on the same theme, e.g. sampling theory, general sampling methodology, seasonal adjustment etc. A brief account of these discussions is given below ordered by division.

Population Census and Demographic Division: problems include frame inadequacies (coverage, timeliness), difficulties with migration statistics (cause for migration, migration patterns etc. due to insufficient data). Register based statistics and related methodology, current and future, was discussed as was the need for expert counterparts in population census and geographical information systems (GIS).

Social Statistics Division: problems include questionnaire design and testing, methodology for measurement errors due to e.g. response burden. Frame inadequacies (coverage, timeliness) were mentioned as well.

Macroeconomic Statistics Division, National Accounts subdivision[1]: an important methodological issue is seasonal adjustment of time series. Other issues include difficulties in institutional sectors and regional estimates (small area estimation). The relatively large proportion of informal economy is an ongoing problem. Problems concerning classification and insufficient data sources were also discussed.

Price Statistics Division [2]: a change of data collection mode from paper forms to computer aided collection and a need for instructions was mentioned as was sampling issues (currently enterprises are sampled first, then products).

Agricultural and Environment Statistics Division: problems that were mentioned include frame inadequacies (coverage, timeliness), insufficient sample sizes for small area estimation. Applications of sampling theory into survey designs are reportedly sound but rely on out-door expertise.

[1] National Accounts are discussed in more detail in section 5.3
[2] Price Statistics are discussed in more detail in section 5.4

Business Statistics Division[3]: frame inadequacies (under-coverage of small businesses), inadequate information in administrative data sources, non-response (~10% of large businesses). Sampling issues were also discussed.

Methodology Division: the current situation for the division is strained as it currently consists of only two employees including the head. The workload is high; there is a lack of human resources and time to address general methodological issues. Still the division has drafted a proposal for a working plan for the next two years. The draft comprises items such as an umbrella project for statistical methodology, updating of economic classifications and development of NACE2 and development and improvement of questionnaires for all divisions. A current problem where assistance is needed is the development of NACE2.

It is proposed that Geostat with assistance from Statistics Sweden develops and then adapts a comprehensive methodology policy and strategy or work plan for the next two-three years, a plan that should be reviewed and revised annually. A policy should govern the general quality requirements with respect to application of methodology to production; a strategy should include e.g. which areas that should be in focus during the period, how to organise methodology monitoring, development and implementation on a central and local (divisions) level, cooperation with universities and other government agencies. This proposal is included in the list of activities as item 6.

6.2.2 Proposed activities

To meet the needs of Geostat we propose a series of activities, the purpose of which is to transfer knowledge and experience of modern and advanced statistical methods. It should however be stressed that the ultimate goal is to enable application of theory to the current and future situation and needs of Geostat and to facilitate implementation of good solutions into the statistics production. It should also be noted that the list is tentative and that some areas could be prioritised above others in consultation with the long-term consultant.

From the discussions we have concluded that on-site consultants is generally the preferred means for achieving these goals as this would make it easier to deal with the specific problems at hand, i.e. on-the-job training close to production and with regular staff. In some cases an introductory course or workshop (where the participants are expected to participate actively with practical application of theory to their own situation) is however recommended as a means of introducing new knowledge in an effective way. In addition, study visits to Statistics Sweden will be arranged as a vehicle for competence development in certain areas. Such visits should include meetings and other activities aimed at specific methodological issues.

The list consists of five topics that attempt to capture the needs as identified above. For each topic 1-3 activities are listed and the primary stakeholders within Geostat are stated. In those cases where it is deemed beneficial to the national statistics system, Geostat may consider inviting outside participants to some of the activities (mainly courses) from e.g. other government agencies, universities etc.

Estimates of the required input are specified for each activity. Before a course or workshop is realized, a course curriculum will have to be determined and agreed upon. Before a short-time consultant arrives, an agenda for the period should be determined and agreed upon, defining which products/surveys and which among the staff at Geostat that the consultant will be working with.

[3] Business statistics are discussed in more detail in section 5.7.

Beyond the proposed activities listed below, additional activities targeted specifically at the national accounts, price statistics or business statistics areas, are of course warranted. Although qualifying as being "methods" activities, these targeted activities are treated in sections 5.3, 5.4 and 5.7 respectively.

1. Sampling theory and application
   a) course and workshop; 2 consultants 3 weeks
   b) short-term consultant; 1 consultant 2 weeks
      - primarily business, agricultural and household statistics
2. General survey methodology; non-sampling errors and survey quality[4]
   a) course / workshop and support; 2 consultants 1 week
   b) short-term consultant; 1 consultant 2 weeks
      - all divisions
3. Time series analysis and seasonal adjustment
   a) course / workshop and support; 2 consultants 1 week
   b) short-term consultant; 1 consultant 2 weeks
   c) part of a study visit
      - primarily economic statistics
4. Register statistics; methods and quality
   a) course / workshop and support; 2 consultants 1 week
   b) short-term consultant; 1 consultant 2 weeks
   c) part of a study visit
      - divisions in charge of registers, currently and in future
5. Questionnaire design and testing, measurement methodology
   a) short-term consultant combined with an introductory workshop; 1 consultant 2 weeks
      - wherever deemed necessary
6. Development of a methods program/strategy
   a) long-term consultant or alternatively in cooperation with the short-term consultant
      - primarily Methods division but all other divisions should be involved

An alternative that covers several aspects listed above in a condensed form is by means of a so-called Statistics in action course (STAC). The course which is developed by Statistics Sweden goes through all phases of a survey from planning and design to tabulation and presentation of results. It combines theory and practice and has been introduced in many countries and is highly appreciated. A STAC course requires two consultants during 2+2 weeks. If a STAC course is decided, the scope of items 2 and 5 could be reduced in if not omitted.

6.3 National accounts

6.3.1 Background

The National Accounts is a subdivision of the Macroeconomic Statistics Division. The other part is External Trade and Foreign Investment Statistics subdivision. The National

[4] E.g. measurement error models, frame inadequacies, non-response reduction, modelling response mechanism, non-response adjustment (imputation, calibration), quality indicators, quality declaration.

Accounts subdivision employs 6 staff persons with university education in economics and with good competence in national accounts.

National accounts in Georgia is based on the System of National Accounts (1993 SNA) recommended by Commission of the European Union, International Monetary Fund, Organization for Economic Co-operation and Development, United Nations and the World Bank. The SNA is a consistent and integrated set of macroeconomic accounts; balance sheets and tables based on agreed concepts, definitions, classifications and accounting rules. The national accounts in Georgia cover current and capital accounts, both annual and quarterly data on national level but there are no accounts on institutional sectors. Annual figures in current prices are balanced in supply and use tables. Calculation in constant prices is made for GDP by activity annually and quarterly but there are no constant prices from the use side. Time-series in constant prices are chain-linked. The quarterly figures on GDP by activity are also seasonally adjusted. GDP by activity is also distributed by the 9 regions. Quarterly figures are published on the website after 85 days and preliminary annual figures after 85 days as the total over the year. Final annual figures are published after 11 months.

To get good and reliable national accounts one needs to use relevant methods and to have access to primary information of good quality. Following major sources were discussed with the head of the division and the head of the subdivision:

- Business survey is a main source for GDP by activity. However the small coverage and lack of response together with sometime questionable quality from the respondents have negative impact on the overall quality of these data. It will reduce the possibility to distribute figures on more activities than the 45 which is the number today. Comparing supply and use tables shows a discrepancy of 20 – 25 percent of total output. These discrepancies consist of non-observed output and non-response in business statistics. The regional accounts cannot use data from the business survey for distributing GDP by activity due to the small samples. For regional accounts purpose the questions in business statistics should refer to local activity units instead of total enterprises.

- Information about government transactions are not fully in line with the needs for national accounts. The data for local government are only transferred to the national accountants as an aggregate and not by regions that could have been used in the regional accounts.

- Household survey is used for household consumption and for wages and salaries as well as for employment. The employment data are used even to distribute GDP by region and activity despite the volatile time-series due to the low number of observations on regional level. GDP by region and activity are then distributed to the region where the employees are residents and not to the region where the production occurred.

- Capital formation is captured by a special survey on detailed structure of investments in fixed capital by institutional sectors carried out every five year. The survey has about the same low response rate as the business survey (20 percent).

- The Rest of the World accounts are received from the Balance of Payments (BoP) produced by the National Bank. The exports and imports of goods in BoP come from the subdivision for Foreign Trade under Macroeconomic Statistics Division.

- Data for financial enterprises excluding insurance companies are collected by the National Bank and transferred to Geostat.

- For calculation in constant prices, CPI and PPI indices are used. Better quality in these indices will help to improve the calculation of constant prices in the accounts.

6.3.2 Proposed activities

The following areas are proposed to be part of this cooperation project in improving the national accounts in Georgia.

- A first mission will start with a workshop on national accounts in practices where Statistics Sweden and Geostat exchange experience in national accounting compilation. After the workshop the STC will study the detailed calculations of production, expenditures and income transactions in order to find areas for improvements of the Georgian national accounts. The outcome will be a list of findings that will be basic information for following missions.

- Assist reviewing the Household Final Consumption Expenditures and at the same time introduce calculation in constant prices by using CPI. Reviewing the household consumption and preparation for calculation in constant prices can be done during a first mission in this area during 2012. At this first mission also the methodology of chain-linking annual and quarterly time-series will be covered. A second mission for making and analysing the household consumption in constant prices is then planed for 2013.

- A mission with seminars on how to make institutional sector calculations for government and on how to calculate government production for individual consumption in constant prices. During this mission discussions should start with the Ministry of Finance to get better adjusted data for the national account purpose. This mission should then be followed by a second mission assisting in making the institutional sector calculations for the government and in calculations of government individual consumption in constant prices.

- Due to the great influence from the business surveys statistics on the national accounts, one mission together with persons from Business Statistics Division and the Macroeconomics Division should overlook the questionnaires and suggest changes as the introduction of local activity units to secure more relevant response and if possible a reduction in the number of questions. With a less complicated questionnaire the goal is to get better data and higher response rate.

- A mission focused on calculation of the production accounts for all sectors in current prices and in constant prices for non-government sectors including calculations of taxes and subsidies.

- With more and better data in the system the balancing in supply and use table will be more complex and one mission will contain a seminar in balancing supply and use tables followed by on the job training. The mission will also include a seminar on input-output tables.

- A seminar and some training in how to calculate stock of fixed assets and consumption of fixed assets is the first part of a mission. Special focus will be on infrastructure e.g. roads, railways etc. In this area the Georgian national accounts

miss information and methods today. The second part of this mission will be on regional accounts and for summing up remaining parts from earlier missions.

- A study visit to Sweden in national accounts will cover the overall national accounts with focus on the areas of calculation in constant prices, institutional sector accounting, government calculations balancing in supply and use tables, stocks of fixed capital formation and consumption of fixed capital.

- During seminars and workshops in statistical methods some persons from national accounts should be represented and when it is relevant some examples from national accounts can be used in the training. Most relevant areas for this are the activities on time-series and seasonal adjustment and small area estimates. But even the other areas are of great interest for the national accounts.

6.3.3 Recommendations for future activities

There are more areas in the Georgian national accounts that have to be improved in the future.

To get a full set of accounts by institutional sectors will take many years. The Rest of the World sector exists today. Together with the compiled government sector there seems to be a possibility to get some useful information even about the financial institutions except for the insurance companies from the National Bank. If government data and the banks data have registered counterpart information many data for the remaining sectors can be derived that way.

More price-indices have to be developed before it is realistic to have also the expenditure side in constant prices. For example price indices for foreign trade, fixed capital formation, services are to be developed.

Better coverage in business statistics have to be in place before the number of activities in the accounts can be extended from the 45 activities of today. Business register should then include information about local activity units and new business surveys should request that information for many items. This will be very useful for regional calculations and for estimation of total production by products for the supply and use tables.

6.4 Price statistics

6.4.1 Organisation

At present Geostat produces two price indices – the Consumer Price Index (CPI) and the Producer Price Index (PPI).

The Price division employs 7 central staff persons, all with university education with economics as the main subject. In addition there are 20 price collectors. All staff divide their time between the CPI and the PPI, roughly in a 70 to 30 proportion, respectively. This is, by international standards, a very small organisation.

6.4.2 CPI

Background

The Georgian CPI dates back to 1992, when Georgia separated from the Soviet Union. The present system is programmed by Geostat IT staff (Delphi software) based on procedures and methods in the previous Excel-based system, which in turn was built with IMF

technical support. The present system became operational starting from January 2010. The advantage of the new program is that it includes also prices of items in the system, rather than indices only as in the previous Excel-based system.

Prices are collected for 266 products in 5 cities. The number of prices collected per month is around 8000. The basket changes every 3 years based on a household budget survey but computationally the index is an annually chained index. The plan is to change to National Accounts expenditures as the primary source of weights, complemented by other sources at a more detailed level. All prices are at present collected by local price collectors in the five cities on a paper form. No centralised price collection exists at present.

For calculation, the elementary aggregate consists of sums (equivalently arithmetic averages) of prices for a product in a city. Elementary aggregates are weighted by city weights, which are the same for all products, and by product weights based on the household budget survey.

Geostat staff considers the CPI system to be generally adequate but needing certain improvements, detailed below. From what was learned during the mission we agree with this assessment.

Recommendations - Proposals

The following areas of improvements were identified and agreed with Geostat.

1. Change the weighting system to one that uses the National Accounts (NA) as the primary weighting source, complemented by additional sources as necessary. The age of the weight and the detailed methods need to be worked out: **Goal: To introduce a new set of weights based on NA for the 2012 index (first publication would be for the January 2012 index)**
2. Closely connected to point 1 is the issue of determining an appropriate market basket (representative products). A new set of products with specifications, which is able to effectively represent the consumption of Georgian households, has to be decided on based on the new weighting system. One issue is wide vs. tight specifications, another issue is to avoid products with very small weights which contribute little to the overall accuracy of the index. **Goal: To introduce a new set of products in the basket with specifications based on the NA weighting system for the 2012 index (first publication would be for the January 2012 index).**
3. The elementary aggregate formula needs to be determined. Internationally it is generally agreed that the geometric mean is the preferred formula. **Goal: To analyse and determine the best form of elementary aggregation for use in the CPI from 2012.**
4. Seasonal products need special treatment during the months when they are not found in the market. At present price movements for a higher aggregate are imputed which may well be the best possible method. **Goal: To analyse the adequacy of the present methodology for seasonal products. Finished during 2011 for implementation (if needed) in January 2012.**
5. The allocation of the sample of price observations needs to be analysed in order to achieve a more efficient sample. Sample sizes should generally be proportional to weights and price change variance within elementary aggregates. **Goal: To reach a decision on the re-allocation of the sample of price observations for the 2012 index based on an analysis of price change variation within elementary aggregates. Finished during 2011.**

6. At present there are no instructions to the price collectors on how to select outlets, product offers in outlets, replacements for disappearing/obsolete product offers or for judging the comparability of successive product offers. Rules and written instructions need to be worked out. **Goal: To elaborate working rules for the field work and written instructions to price collectors. The work should start and a draft be produced in 2011. Final instructions to be produced during 2012.**
7. Geostat has been offered software for handheld computers for use in price collection. The software needs to be reviewed and modified before implemented in the Georgian CPI. Before this can be done the rules for field work have to be determined. **Goal: To decide on the implementation of hand-held computers for CPI field work and make the necessary choice and / or modifications of existing software, as needed. To be done in 2012.**
8. At present all price collection is local, also for products with national prices. Some of these products need special methods due to quality changes and complex pricing mechanisms, examples being mobile telephony and computers. The initial impression during the mission was that methods in these areas were not fully adequate. **Goal: To develop improved methods for certain products with more complex pricing patterns. Work should proceed product by product and start in the second half of 2011. Improved methodology should be implemented for at least mobile telephony in January 2012 and for all products, where needed, in January 2013.**
9. A methodological handbook for advanced users (and for internal documentation) does not exist. **Goal: To produce a methodological handbook on the CPI. To be finished in 2013.**
10. Parallel core inflation indexes play an important role for economic and monetary policy. At present the National Bank of Georgia produces such indexes for internal purposes but it would be better if they were done by GEOSTAT. **Goal: To investigate the need for measures of core inflation and their definition. To be finished in 2013.**

6.4.3 PPI

Background

The PPI covers industry (manufacturing, mining and energy), construction and freight transport (by land, sea, air and pipelines). All together 23 detailed series + aggregates are published but no overall PPI since some categories are missing.

Business surveys provide a frame for the PPI from which firms are selected. More than 600 firms are selected including all large ones and a selection of the smallest ones. Firms that do not want to co-operate are excluded (initial non-response). For each firm the products with the largest share of turnover (up to 4) are selected. In all about 2000 detailed products are included.

The PPI is produced in a 2-year cycle with December as the price base period. Every second year the selected firms are asked about their turnover for year t, which is used as the weight for a two-year period t+1 and t+2. However, computationally the PPI is an annually chained index. For detailed products weights are determined on the basis of their share of the turnover in the company.

The present PPI system including the IT software was developed in 1997 and is basically unchanged since then. Support was provided by the IMF at that time. The software has since become outdated and there is a fairly urgent need for developing a modernised software solution.

The National Accounts is the most important user of the PPI but questions are also received from others, such as companies who need information on price changes in a certain sector, and Government institutions.

There are requests for increasing the scope of the PPI. National Accounts (and the National Bank) need for example price indices for export, for services and for investment goods. Price indexes for agriculture could be developed in co-operation with the Agricultural Division. However, these requirements are difficult to meet within the present resource constraints.

Recommendations - Proposals
Problems that were singled out to work on within the project were:

1. The weights are at present derived from the sampled companies only on the basis of their responses to the biannual survey. Geostat wants to change this into a system where the total production in the country is the basis of the weights instead of just the sampled ones. This is the correct approach from a conceptual and statistical point of view. Geostat intends to make this change for the industry sector already from January 2011 and for the other sectors in January 2012. Support will be needed to check and comment and to assist in other sectors. **Goal: To change the weighting system in the PPI to one based on total national production. To be implemented for January 2012.**
2. The PPI software is not up-to-date. A modernised system could be either made in Excel or in a database system of some kind. This will mainly be done by Geostat IT staff. **Goal: To introduce a modernised PPI system. Assistance will be needed for checking the correct working of the system. To be implemented in 2012.**
3. No instructions for price collection exist. **Goal: To introduce written instructions to price collectors. To be finished in 2012.**
4. The construction price index is composed of input prices of construction materials, most of which are imported. For this reason it is not appropriate to call it a producer price index, rather it should be labelled an input price index and many of its components be included in a future import price index. As it now stands it would be best to present this index separate from the PPI. **Goal: To reach a conclusion on this matter in 2011.**
5. A methodological handbook for advanced users (and internal documentation) does not exist. **Goal: To produce a methodological handbook on the PPI. To be finished in 2013.**

6.5 Commissioned statistics

6.5.1 Background

Geostat has identified commissioned statistics as a way to strengthen the finances of the office. In the short-term Geostat's appropriations will probably decrease rather than increase, according to information from the Ministry of Finance. As an independent government body Geostat has the legal right to sell and market statistics and services that are not defined as official statistics. Official statistics are available free of charge and published at Geostat's website.

Geostat has by approaching business associations found that there is a demand from the private sector for more detailed information than is actually published. A number of statistical packages are now being produced and distributed directly to business

associations as a marketing effort. The response so far has been encouraging and the intention is to from next year sell the information.

Producing commissioned statistics will obviously satisfy a need in the society and will in the same time also contribute to enhance the total flow of information in the country. Another advantage for Geostat is that such a production probably will support the efforts to strengthen the image of Geostat, which is and has been quite weak.

Neither a policy nor a strategy for commissioned statistics has been formulated, which should be the basis for the further steps on the road to increase revenues and develop this area.

6.5.2 Recommendations - Proposal

A policy and a strategy should be in place, meaning documents produced by Geostat and approved by the appropriate body, i.e. the Board of Statistics. These documents have to be well-known among the staff at Geostat.

The staff should get training on how to apply the policy and strategy on the daily work.

The policy should give the basis for the commissioned statistics, it should establish ways of identifying acceptable commissioned work, taken into account not only legal aspects but also the image of Geostat. It should also set up rules for pricing the statistics.

The strategy should include the marketing and financial targets of the commissioned statistics.

6.6 IT

6.6.1 Background

The IT staff at Geostat consists of 9 persons; 6 programmers and 3 technicians. They constitute a subdivision of the Administrative Division.

The IT maturity at Geostat does not seem to be sufficiently high. Training is arranged to cover the needs for further competence development, e.g. for the time being during this mission training was given in SPSS, Stata, .Net and Cisco for different staff categories. The training was supported through the MCG (Millennium Challenge Georgia).

There is no written IT policy and / or IT strategy. Security and confidentiality rules need to be outlined.

Currently there are 150 computers (workstations) at Geostat, connected through a “simple” network, which will be upgraded using Cisco devices. There are plans to introduce VPN to increase the network security. 6 servers are attached to the network. 50 new workstations and 2 servers will be procured. The regional offices are not connected to the network. Handheld computers (PDAs) will be used for the data collection of the CPI.

MS Server 2000 is used on the servers. MS Windows XP and Windows 7 are used on the workstations.

The databases are stored in MS SQL Server. Backups are made.

MS SQL, Paradox and Access are used for data processing. The Dutch software Blaise is planned to be introduced.

SPSS and Stata will be implemented by the statisticians for analysis and presentation.

The software Kaspersky is used for anti-virus protection.

The overall impression is that the infrastructure is solid with few interruptions. However, most of the basic software as e.g. operating systems are unlicensed, which means that it is not updated, which in the worst case could lead to destroyed or lost data. A rough estimation mentioned was that 300 000 USD would be needed for the licenses.

6.6.2 Recommendations – Proposal

Geostat is now making rapid improvements and several different donors contribute with funds and software solutions. It is of utmost importance that all these contributions are coordinated to avoid a situation where there are a lot different solutions for the same matters. An IT policy and an IT strategy for the forthcoming years should be worked out as soon as possible. IT security rules should be included.

It is strongly recommended that Geostat should only use licensed software, mainly to assure upgrading but also to adapt to European standards. If possible, MCG funding should be used for this purpose. Otherwise, Geostat should make the donor community aware of this problem and seek support for financing the licenses.

6.7 Business statistics

6.7.1 Background

The division of business statistics has 22 persons employed, in 4 subdivisions:

- Industry and construction 5 persons
- Services 7 persons (banks and insurance, public administration, households open markets and bazaars and some other categories excluded)
- Data processing 3 persons (+ 7 temporary on data entry etc.)
- Business register 7 persons

The business register receives information on new businesses from the Register unit in the Public Register at the Ministry of Justice on a quarterly basis. After that Geostat adds NACE codes and number of employees, often after asking additional questions directly to the company.

Geostat produces a quarterly business survey with a sample of 8 500 enterprises, drawn from a business register of 39 000 enterprises. All the 1 900 largest ones (with either more than 1.5 Million GEL of turnover or more than 100 employees) are included whereas small and medium sized companies are sampled in a stratified random design, by NACE group and size. The sampling units are fixed for a whole year (the sample is drawn annually).

In addition there is an annual survey (cf. Structural Business Surveys in Europe) based on the balance sheets of the enterprises. This is based on a larger sample of 12 500 enterprises. This survey also asks for production and employment for each local unit of the enterprise. The annual survey uses special questionnaires for some industries. One questionnaire is directed to 360 hotels and hotel-like entities.

Another survey goes to owners of open markets asking for number of market stands etc. (not turnover). Every five years there is a survey to the open markets where sellers are asked about turnover.

Geostat receives data on building permits and completed objects from the administrative sources.

None of these surveys, which in fact is the case for all Geostat's surveys, are compulsory. We were informed that non-response is 2.4 % but almost 10 % among the large enterprises.

Variables included in the survey are mainly turnover, sales, investment in fixed assets, employment, average monthly wage, purchases of goods and services and changes in inventories.

Geostat mentioned that another international organisation provides assistance in energy statistics and energy balances.

Besides serving as official statistics, internally at Geostat, the statistics from the business survey are used for the National Accounts, especially for adjustment of intermediate consumption.

6.7.2 Recommendations - Proposal

Geostat mentioned two main areas, where assistance is needed.

1. Business register and the use of administrative sources. Procedures for updating and maintaining the register. The companies database contains about 300 000 registered companies including private companies but only 39 000 are active. As the information on the enterprises Geostat gets from the Public register does not include NACE codes, an agreement between the two entities on the content of the data file transferred should be reached. Some training for the Tax Inspection and the Public register would probably be needed.
   Farmers are only covered to the extent that they are registered which is usually not the case, as they mainly are subsistence farmers.
   The conclusion is that the quality of the business register needs to be improved. Some short-term consultancies should be addressed to this area.
2. Sampling and estimation methods taking account of non-response and coverage errors. The dynamic nature of the business population also needs to be addressed.

Geostat agreed that it is important to move towards international and European standards. EU regulations on Structural Business Surveys and Short-Term economic surveys are therefore important to be brought into attention.

6.8 Management and Human Resources Development

6.8.1 Background

The planning process at Geostat is new and has been carried through for the first time 2010. The process results in a budget request to the Ministry of Finance. The request is divided in the different programmes and surveys to be carried out during the year. Geostat is the first Governmental Office that has produced this type of detailed budget request. According to the Ministry this type will be the format to be used in the future for all bodies.

As the process is quite new improvements are not just possible but desirable to strengthen both the internal process and to the Ministry stress the needs of statistical information in the society.

For the management of the Geostat there is a need for input and ideas from the running of a national statistical office in a more developed country. The issues concerned are general management, human resources development (HRD) and financial matters.

Currently there is no strategy and policy for dissemination of published statistics and no communication strategy. This is especially important now when Geostat intends to increase the share of commissioned statistics.

6.8.2 Recommendations - Proposal

The planning process implemented at Geostat, needs to be further developed. In order to do so a set of activities should be carried out. A first step is a study tour to Statistics Sweden, where SCB's planning process would be presented in detail, to serve as an input to the development of the Geostat process. This will be followed by a STC, to assist Geostat to design the final planning process.

A management training program should be outlined by a STC and carried out by two following STCs. Areas to be covered are management competence in the development of human resources, general management of a national statistics office, financial issues, code of practice, etc. Gender aspects need special attention for management and HRD issues,

Human resources development should concentrate on capacity building through training, in-house and on-the-job, performed by STCs from SCB. Primarily in the main areas of support, statistical methods, national accounts, price statistics, commissioned statistics, IT strategies, business statistics and management.

The project should support elaborating and implementing strategies and policies for dissemination and communication.

6.9 Donor support

6.9.1 Background

As in most developing countries a number of different donors are active in Georgia. Also Geostat gets support from various institutions. A list of projects concerning Geostat is attached to this project proposal, see Appendix 4.

The main cooperation partners are the World Bank, the statistics office of the Netherlands, the US Millennium Challenge Program, the USAID, the EU through their TAIEX program, UNDP, UNFPA and the US Agricultural Department.

6.9.2 Recommendations - Proposal

Dealing with the considerable amount of interested donors is for Geostat a huge and important task. Geostat need to have a priority list of activities and this should be the basis for the discussions with donors of possible support areas.

It seems as Geostat is aware of the situation and is able to handle it. Geostat will also give priority to the cooperation with the activities included in the proposed project, which gives a good basis for the cooperation.

For the smooth running of the project the recommendation is that the LTA assist Geostat in the coordination of the different donor supports.

7 The Project

7.1 Project objectives

Technical/professional objective
Improve the competence of the staff at Geostat, to ensure production of reliable statistics.

Organizational objective
Develop the overall functioning of Geostat, including management and planning issues.

Institutional capacity building
Improve the institutional competence, including policies, documentation, and standardization. Improved reputation and image of Geostat in the Georgian society are also parts of the capacity building.

7.2 Project management

The project will be managed by Geostat's management and the long-term advisor in cooperation. The Geostat management and the long-term advisor will inform, discuss and negotiate project matters through meetings on a fixed schedule. Whenever needed, Sida should be contacted for advice and decisions concerning the project.

Geostat will appoint a counterpart for the long-term advisor.

The long-term advisor will be supported administratively and professionally by the home-office at Statistics Sweden and the relevant project coordinator.

A local (i.e. Georgian) consultant will be assigned to the project. The project will be responsible for the recruitment of the consultant, which will be made as an open process. Costs for the consultant will be covered by the project budget. The consultant shall assist the LTA on project management and will report to the LTA. The job description will be made jointly by Geostat and the LTA. Main tasks of the consultant will include:

- Supporting the implementation of new methods for official statistics, especially national accounts and price statistics;
- Assistance on organising a formal dialogue with data users;
- Assistance on reporting of project results to stakeholders;
- Assistance on donor coordination

Furthermore, a local project assistant should be appointed for the project. This assistant should also be used for interpretations and translations. The assistant should be financed by Geostat.

7.3 Process and formal framework

The project will be governed by three formal agreements:
1. between Geostat and Sida
2. between Geostat and Statistics Sweden
3. between Sida and Statistics Sweden

The structure of these documents will adhere to common formats used by Sida.

The present project proposal, if accepted, will be referred to in each of the three Agreements as the basis for the activities and undertakings to be carried out by the parties. In general terms, the Agreements mentioned aim to ensure that

- Geostat undertakes to implement all parts of the project in accordance with the plan, as part of a long-term cooperation project. The plans may be modified by agreement between Geostat, Statistics Sweden and Sida. Geostat further undertakes to facilitate the work of the experts and to make office premises and access to Geostat's infrastructure available (Internet, telephone etc). Geostat and the long-term advisor will discuss and prepare the Terms of Reference of each short-term intervention, and each mission should be approved by Geostat and the long-term advisor.
- Statistics Sweden undertakes to support Geostat in its implementation of all parts of the technical assistance in accordance with the plan. The plans may be modified by agreement between Geostat, Statistics Sweden and Sida.
- Sida undertakes to provide the necessary funds and to monitor the project through semi-annual review meetings with Geostat and Statistics Sweden.

7.4 Timing

According to the Terms of Reference, a project proposal should be delivered to Sida no later than 2010-12-20. The approval and decision by Sida is expected to be finalized in the early 2011. If agreed by Sida, recruitment of the long-term expert will start as soon as the project has been given approval. The start of the project itself is then dependent on the formal approval by the Georgian Government and by Geostat. Target date for starting the project is second quarter of 2011.

7.5 Project components

The project between Geostat and Statistics Sweden is defined as an institutional cooperation project. This means that the project is not seen as external or additional to the work of Geostat. The project is rather to serve as a component of the regular work in Geostat, with an emphasis on capacity development. The project will supply expertise in prioritised areas and strengthen the local capability. In order for this to work, the choice of counterpart or counterparts at Geostat is crucial. The appointed counterparts together with their colleagues and subordinates carry out their regular work, but with the integrated support of short- and long-term advisors.

7.5.1 Long Term Advisor (LTA)

It is proposed that one long-term advisor is stationed in the country. The advisor should have long term experience in production of statistics. Management experience and experiences from economic statistics are of great value. Competence in statistical methods and IT strategies will also be of great use. Good competence in English (listening/ speech/

reading/writing) is necessarily. The person should be flexible and result-oriented. Social competence and creativity is fruitful for the project.

The long-term advisor's principal tasks are to manage the project, coordinate it with the activities of other donors, and to give advice and on-the-job training in his/her areas of expertise. The long term advisor will:

- outline and continuously specify the objectives and further activities of the 3-year period;
- as and when requested, provide guidance and advice to the Executive Director , the Heads of Divisions, professionals and staff members of Geostat;
- assist the Executive Director with donor coordination;
- assist in all other tasks mentioned in this report and related to the successful completion of these tasks;
- coordinate, prepare and follow up the implementation of proposals from short-term missions from Sweden.

7.5.2 Short Term Consultancies and Study visits

The project will be supported by short-term experts from Statistics Sweden or by other experts proposed by Statistics Sweden (usually former employees), generally, though not always, on two-week missions. Occasionally a mission can be carried out by two experts. A mission report (in English) will be submitted in connection to all short term consultancies. A draft of the report will be discussed with the counterpart at the end of the mission. Whenever needed, the full reports or selected parts of the report will be translated into Georgian upon request by Geostat.

Study visits to Statistics Sweden will be arranged as tool for competence development in certain areas. A report in English from the visit should be submitted by the participants from Geostat.

The tentative numbers of short-term missions from Sweden, and study visits to Sweden, are indicated in the table below by area and year.

7.5.3 Contribution by the local organization

The contribution by Geostat to the proposed project is comprehensive.
The contribution includes:
- premises for LTA and STCs
- counterparts
- local project assistant
- driver (if needed)
- consumables, e.g. printing papers

Tentative time schedule for technical assistance from Statistics Sweden for a project starting 1 May, 2011

Input	Number of missions	May – Dec 2011		2012		2013		Jan – Apr 2014
Activity	**Total**	**I**	**II**	**I**	**II**	**I**	**II**	**I**
Long-term advisor		x	x	x	x	x	x	x
Statistical methods								
Short term missions	11		3	2	2	2	1	1
Study visits	1					1		
National accounts								
Short term missions	9		1	1	2	2	2	1
Study visits	1					1		
Price statistics								
Short term missions	9	1	1	1	2	1	2	1
Study visits	1		1					
Commissioned statistics								
Short term missions	4		1	1		1		1
Study visits								
IT strategies								
Short term missions	2		1	1				
Study visits								
Business statistics								
Short term missions	5		1	1	1	1	1	
Study visits	1				1			
Management, HRD								
Short term missions	5		1	1		1	1	1
Study visits	2	1		1				
Total								
Missions	45	1	9	8	7	8	7	5
Study visits	6	1	1	1	1	2		

7.6 Project monitoring

The project will be subject to established Sida review procedures as will be specified in Agreements 1 and 2. Semi-annually there should be meetings for monitoring, reviewing and planning of the project. A reviewing report should be distributed in advance, to be presented and discussed at these meetings. The meetings should be assisted by the home office coordinator of Statistics Sweden.

8 Costs

The total cost for the 3-year project period is estimated to 16.554 million SEK (with current exchange rate 2.411 million USD, equal to 4.323 million GEL). This sum covers the cost of 1 long-term advisor, 45 short-term missions of 2 weeks each (with one consultant in each mission) and 6 study tours to Sweden.

Goods included in the budget are for two laptops and one printer to be used by the LTA and occasionally by STC. The LTA will also need a car for local as well as for regional transports. If a driver will be needed, this will be supplied by Geostat (financed by Geostat).

As far as we can see now, there will not be any need for local transports of STC:s. Regional transports should be arranged by Geostat.

Budget for the technical assistance (KSEK)

	May 2011-	2012	2013	-April 2014	Total
Fees	2 273	3 330	3 330	1 057	9 990
Reimbursables	838	936	936	342	3 052
Assignment costs	706	589	589	128	2 012
Contingencies	300	500	500	200	1 500
GRAND TOTAL	4 117	5 355	5 355	1 727	16 554

Note. Costs for the local consultant are included in “Assignment costs”

9 Expected results and risk mitigation

The overall result of the project is to further develop the National Statistics Office of Georgia and its capacity to produce statistics with high reliability and quality.

The proposed activities and detailed expected results of the project are outlined in a Results Based Management (RBM) matrix to be found in Appendix 5.
All activities listed in the matrix are planned to be carried out during the project period. However, the outcome of the activities may come later.
Furthermore, as the project concept implies a close cooperation through the whole project period, Geostat will be ready to continue the work on their own when the project has been finalised. Hence there is no need for an explicit exit strategy.

Prerequisites for achieving the results are:

- Minimum turnover of key staff at Geostat
- Availability of short-term consultants at Statistics Sweden
- Capacity to receive short-term consultancies at Geostat

To overcome these risks, the project concept has several advantages. Human resource development and in-house training should make Geostat to an attractive workplace which should decrease the staff turnover. If shortage of short term consultants will appear, Statistics Sweden will handle this by hiring former employees or independent consultants. The capacity to receive consultants will be managed by coordination made by the LTA in cooperation with Geostat.
An external risk could be a severe diminishing of the Geostat budget, which will be mitigated by raising the competence in the area of commissioned statistics.

Appendix 1 . Terms of reference

Sida

Terms of Reference 1(3)

29 October 2010

Kerstin Gyllhammar

Ref. number: 2010-001658

Statistics Sweden's project identification mission for support to National Statistics Office of Georgia, GeoStat

1.1 General context

The National Statistics Office of Georgia, GeoStat, approached Sida in Tbilisi in July, 2010 requesting support to strengthen its capacity. Statistics Sweden, SCB, managed to pay a visit to GeoStat already in September on own funds for a first contact to evaluate the preconditions for a cooperation.

1.2 The EU context

Relations between Georgia and the EU have been governed by the Action Plan of the European Neighbourhood Policy and of the Association and Cooperation Agreement. The Eastern Partnership brought opportunities for a closer integration with the EU and negotiations have been initiated for an Association Agreement with a Deep and Comprehensive Free Trade Agreement, DCFTA.

1.3 Applicable Swedish cooperation strategy

The overarching objective of the Swedish development cooperation with Georgia is for the country to develop towards a democratic and accountable state, forging closer ties with the EU. The project is in line with the cooperation strategy for development cooperation with Georgia mainly in sector for democracy, human rights and gender equality with the objective:

> Strengthened democratic structures and systems, with a focus on human rights and gender equality

However, it is also relevant for the market development sector where Sida has been given the task to strengthen Georgia's capacity to negotiate, conclude and implement a DCFTA where reliable statistics is important. Support should preferably make use of opportunities of cooperation between Swedish and Georgian authorities.

1.4 Results-Based Monitoring

Sida has supported SCB in a Results-Based Monitoring project, aiming at improving SCB's methodology when working with development

into consideration in order to avoid overlapping. An exit strategy should be considered in the project proposal.

The mission will draft a project proposal for a project based on the following assumptions:

1. The project should last for approximately three years
2. There should be one long-term advisor resident in Tbilisi
3. The project should include short term missions from Statistics Sweden and study visits mainly to Statistics Sweden

The report shall provide a Result Based Management (RBM) analysis for the selected areas and apply gender mainstreaming where relevant.

2.2 Specific objectives

According to the outcome of the previous mission, the project identification mission shall focus on support for the following areas:

1. Statistical methods
2. National accounts
3. Price statistics (CPI and PPI)

Furthermore, support for the following areas should be discussed:

4. Commissioned statistics. Marketing and setting of prices
5. IT strategies, including assessment of access to investment funds, if required
6. Business statistics
7. Management incl. Human resource development

For the selected areas, the mission shall

- Make an analysis of stakeholders' needs
- Assess the current production of statistics
- Investigate other donor support to GeoStat
- Examine the human and financial resources at GeoStat
- Outline a project proposal based on RBM (including objectives, work areas, risks and measures for risk mitigation)
- Outline the project management
- Outline a project budget

2.3 System for follow-up and monitoring

A written report in the form of a draft project proposal, in English, supported by both SCB and GeoStat.

2.4 Time frame

The mission shall be carried out during the fall 2010, tentatively 15-26 November. A project proposal to be delivered to Sida no later than 2010-12-20.

Appendix 2. Persons met during the mission

Geostat:

Zaza Chelidze	Executive Director
Tengiz Tsekvava	Deputy Executive Direcctor
Boris Ezugbaria	Head of Administrative Division
Lia Dzebsauri	Head of Macroeconomic Statistics Division
Gogita Todradze	Head of Business Statistics Division
Paata Shavishvili	Head of Population Census and Demography Division
Georgi Kvinikadze	Head of Agricultural and Environment Statistics Division
Levan Gogoberishvili	Head of National Accounts Subdivision

Swedish Embassy:

Alf Eliasson	Counsellor, Head of Development Co-operation
Khatuna Zaldastanishvili	Programme Officer

National Bank of Georgia:

Giorgi Barbakadze	Head of Macroeconomics and Statistics Department
Nana Aslamazishvili	Head of Monetary Statistics Division

Ministry of Finance:

Pridon Aslanikashvili	Deputy Chairman, Financial Policy Department

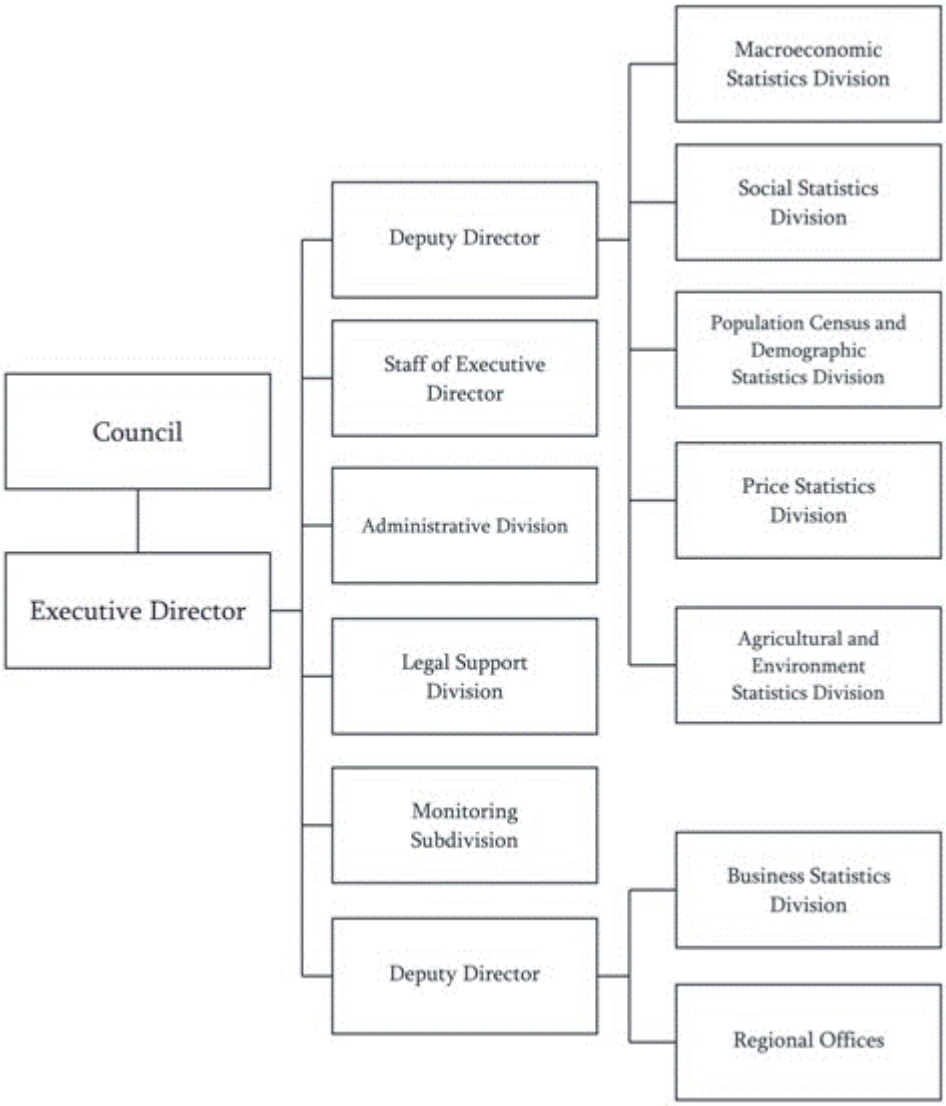
Swedish Enforcement Authority (Partnership Project between the National Bureau of Enforcement, Georgia and the Swedish Enforcement Authority):

Jan S. Johansson	Senior Advisor, Long-Term Consultant in Georgia

EU TAIEX mission:

Miloslav Chlad	Expert for Regional Accounts, Czech Statistical Office

Appendix 3. Geostat organisation



Appendix 4. Donor support

Donors support to Geostat and international cooperation in 2010

1. Together with the world bank a project started on needs assessment and strategic plan for the statistics service; Some of the best experts of WB work at the Geostat; A meeting was held with donors on their possible participation in the project;
2. The World Bank working mission visited Geostat in September and evaluated household surveys and bases, conducted training for the staff. We are waiting for recommendations;
3. The Millennium Challenge Program is giving to GEOSTAT 239 000 USD grant the major components of which are:
   - Georgia's participation in International Comparison Program (ICP) – 90 000 USD;
   - IT – 149 000 USD (Software 110 000 USD, SPSS licence 23 000 USD, STATA licence 16 000).

   Besides, MCG will purchase computers and other IT compliances for Geostat and will finance Geostat staff training in SPSS;
4. With support of SIDA a joint project begins with Together with Swedish Statistics Service within the framework of which the Swedish colleagues will help Geostat with issues pertaining statistical methodology (including sampling, questionnaire design, metadata, data processing, data analysis, data editing), national accounts, price statistics, commissioned work, IT, business statistics and management. The delegation from the Swedish Statistics Service visited Geostat and Project Identification Mission (PIM) is now working in Geostat for drafting the project;
5. A joint project is starting with together with Dutch Statistics Service within the framework of which Geostat will receive assistance in IT, Social Statistics and Integrated Household Survey and Demography;
6. With help of the International Migration Organization Geostat invited the Georgian expert who currently works for the Statistics Office of the Netherlands. She helped with general methodology and training;
7. World Learning and USAID have financed purchase of 19 mini computers (Handhelds) for Price Statistic registers and 60 mini computers for agriculture survey interviewers;
8. Within the framework of the EU's TAIEX Program an expert who will work on the issues of the national account methodology will work in Geostat in November 22-26;
9. Head of National Accounts sub-division had 1 month work practice to Statistics Department of Poland;
10. Within the framework of the EU's TAIEX Program we are working with Polish colleagues to get their assistance on business statistics and regional statistics;
11. Within the framework of the EU's TAIEX Program working group from Geostat will visit Estonia to familiarize with their experience of population survey;

12. A group of Geostat employees visited Statistics Department of Latvia where they shared experience in sampling, household base and selling the information;
13. Geostat participated in the exhibition dedicated to the International Statistics Day, held by UN. A relevant poster was prepared and sent;
14. With UNDP financing bring in household survey expert from November 22;
15. We are working with UNFPA we are working on the population census and an extended donor's meeting was held. Agreement was received from several donors;
16. With financing of the UNFPA a work group on Geo-Information Systems (GIS) works in Geostat;
17. With help of US Agriculture Department Agriculture Survey Monitoring was carried out;
18. US Agriculture Department Agriculture has granted PC, laptops, printers and other equipments to Geostat.

Appendix 5. RBM analysis

Input	Activity	Expected output	Expected outcome	Indicators and sources of information
Long term advisor (LTA)	***Assist in the smooth running of the project. Coordinate project activities including short-term missions with Geostat needs and with other donor-financed activities. Follow-up of the short-term missions and study tours.***	Geostat receives support according to the project plan. The objectives of the project are completed.	A more efficient Geostat.	Number of short term missions carried out. Reports of short term missions. Number of study visits. Evaluation of the project.
STC	***-training in statistical methods***	-improved competence in --sampling theory and application --general survey methodology --time series analysis --register statistics --questionnaire design and testing	-statistics are produced according to established and recognised methods, i.e. reliable statistics are produced	-number of statistical products having implemented up-to-date methodology concerning the specified area
STC	***-course "Statistics in Action"(if agreed, will***	-staff understand the survey process -report from course survey	-staff better prepared for work on all phases of surveys -better quality in the survey process, leading to better quality of	-course carried out

	replace some other components in training)		published data	
LTA / STC	***-support for development of methods strategy***	-methods strategy	-common basis for statistical methods	-strategy exists
STC	***-improve national accounts***	- exchange of experience of NA in day to day work -household final consumption reviewed and calculated in constant prices -construct full institutional sector accounts for government -new questionnaire for business survey -better methods for calculation of output, intermediate consumption, value added and taxes and subsidies -seminars on supply and use tables and on input/output-tables -seminars and training on fixed capital formation and calculation of consumption of fixed capital	-improved methods where relevant -better possibilities to analyse household final consumption when changes in volume can be studied -government sector can be analysed in NA definitions -higher quality in collected data -more reliable data on the production side -increased competence in supply and use and in input/output -increased knowledge on capital formation and consumption of fixed capital	-household final consumption is calculated in constant prices - institutional sector accounts for government are completed -staff has enough knowledge to start calculation of fixed capital formation
STC	***-improve the Consumer Price***	-To introduce a new set of weights based on NA for the 2012 index (first publication	- raising the quality of the CPI towards internationally recognised	- customer satisfaction from

	Index (CPI)	would be for the January 2012 index) -To introduce a new set of products in the basket with specifications based on the NA weighting system for the 2012 index (first publication would be for the January 2012 index). -To analyse and determine the best form of elementary aggregation for use in the CPI from 2012. -To analyse the adequacy of the present methodology for seasonal products. Finished during 2011 for implementation (if needed) in January 2012. -To reach a decision on the re-allocation of the sample of price observations for the 2012 index based on an analysis of price change variation within elementary aggregates. Finished during 2011. -To elaborate working rules for the field work and written instructions to price collectors. The work should start and a draft be produced in 2011. Final instructions to be produced during 2012. -To decide on the implementation of hand-held computers for CPI field work and make the necessary modifications of existing software, as needed. To be done in 2012. (NB: It is possible that a further analysis of this issue will conclude that hand-held computers are not an efficient solution for the Georgian CPI.) -To develop improved methods for certain	standards without increasing the resources needed for current production to gain higher satisfaction from customers	National Bank

		products with more complex pricing patterns. Work should proceed product by product and start in the second half of 2011. Improved methodology should be implemented for at least mobile telephony in January 2012 and for all products, where needed, in January 2013. -To produce a methodological handbook on the CPI. To be finished in 2013. - To investigate the need for measures of core inflation and their definition. To be finished in 2013.		
	-improve the Producer Price Index (PPI)	-To change the weighting system in the PPI to one based on total national production. To be implemented for January 2012. -To introduce a modernised PPI system. The consultant will assist in checking the correct working of the system. To be implemented in 2012. -To introduce written instructions to price collectors. To be finished in 2012. To reach a conclusion on this matter in 2011. -To produce a methodological handbook on the PPI. To be finished in 2013.	- raising the quality of the PPI towards internationally recognised standards without increasing the resources needed for current production to gain higher satisfaction from external (e.g. National Bank) and internal customers (NA)	- customer satisfaction from NA Division at Geostat
STC	***-implementation of commissioned statistics***	5% of Geostat turnover comes from commissioned work	The income from commissioned work makes it possible for Geostat to continue the improvement of its	-Geostat financial turnover

			services	
STC and LTA	***-support for elaborating and implementing IT policy and IT strategy, incl. IT security rules***	- IT policy document, incl. IT security policy - IT strategy document, incl. IT security strategy - continuously monitoring and support (LTA)	- only approved software is used for data processing -data security is guaranteed through backup routines and other policies -policy is followed by all computer users -long term IT planning is supported by the strategy	- brands of software used - policy and strategy documents produced - virus attacks on a minimized level - no data disasters
STC	***-improve business statistics***	- better methods for updating and maintaining of the business register - appropriate sampling and estimation methods for the business surveys	- improved statistics for use as input in the National Accounts, leading to better quality.	- Customer satisfaction from NA Division at Geostat
STC	***- management development, including human resources development***	- further developed planning process - a management training program - a program for appropriate training of different staff categories	-more efficient management of Geostat -staff trained for their duties	-routines for planning process -number of staff participating in training -training programs
STC and LTA	***Development and implementation of dissemination and communication policy and strategy documents***	-policy and strategy documents for dissemination and communication	-dissemination to users standardized and applied -communication with users standardized and applied -improved awareness of Geostat statistics and its contribution to the development of the country	-policy and strategy documents exist