

# Twinning Project

Contract: GE 16 ENI ST 06 18

## Strengthening the Capacity of the Georgian Statistical System

**Component 3: “Development of Business Statistics”**

**Sub-component 3.2: “Statistical Business Register (SBR)”**

### MISSION REPORT

**Activity: 3.2.A “Discussion of current situation and outline of a work plan”**

Mission carried out by  
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September 16<sup>th</sup> – September 19<sup>th</sup> 2019

Version: Final



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საქართველოსთვის  
The European Union for Georgia



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## 1. General comments

This mission report was prepared within the EU Twinning Project "Strengthening the Capacity of Georgian Statistical System". This was the first mission within the sub-component 3.2: "Statistical Business Register (SBR)" and was mainly devoted to presentations and discussions of the current situation in the field of SBR and to outline a work plan for the coming activities under this sub-component.

The purposes of the mission were:

- Outline the work plan based on presentations and discussions of;
  - Content of the GEOSTAT Business Register and current situation in the field
  - IT data model and structure
  - Data sources, automatic updating, quality, linking, validation
  - Units, Local Units (LOU), Enterprise, Kind of Activity Unit (KAU), Local Kind of Activity Unit (LKAU), Enterprise Groups
  - Ownership classification and ownership types including foreign vs domestic
  - Continuity rules
  - Time stamps
  - Data changes and activity codes. Change tables
- **Expected output of the activity**
  - The subject matters discussed, evaluated and prioritized
  - A specific work plan for sub-component 3.2 compiled.
  - Mission report written
  - Preparation of ToR for next mission

The consultants would like to express their gratitude to all officials and individuals met for the kind support and valuable information which they received during the stay in Georgia and which highly facilitated the work of the consultants and enabled a good start to our joint efforts.

The views and observations stated in this report are those of the consultants and do not necessarily correspond to the views of the European Union, Geostat, Statistics Denmark, or other statistical institutions involved in the implementation of the project.

## 2. Assessment and results

In recent years Geostat has developed and implemented – with assistance from the Swedish national statistical agency (SCB) – a SBR based on current delivery of information about legal units from the National Agency for Public Registry (NAPR) and the Revenue Service (tax administration). In this twinning project the primary aims are to bring the SBR the next big step forward, which is to extend the data content and functionalities to the statistical entities 'enterprise' and 'local unit' and to improve the data quality, especially the activity coding. Additionally, a number of secondary objectives will be pursued with a view to prepare the SBR for future developments after this twinning.

The discussions and assessment during this activity took place according to the terms of reference and work plan, cf. annex 1 – starting with a comprehensive briefing from the SBR head of division about the current situation, status, challenges, and objectives for the SBR in this twinning project. For each topic to be targeted in the project the discussions are summarised in annex 1, which were agreed with the team and presented to Geostat's top management by the end of the activity.

For each topic the situation is introduced, the initiative and its aim is presented. Also, the main tasks and the timeline according to the remaining activities in this sub-component are indicated. All initiatives will involve

the SBR team and the associated IT staff – and the users of the SBR, i.e. the business survey divisions. Some initiatives and tasks will also involve external stakeholders, not least data providers.

With regard to distribution of the available resource the initiatives and tasks will need further consideration. The approach suggested by the consultants - with a view to finalise initiatives and produce results in the twinning project period - is to pursue simple solutions and prioritise ‘top-down’, i.e. to decide up-front which tasks will be considered ‘major’, ‘medium’ and ‘minor’. Having said that, there is no doubt that the initiative ‘automatic updating’ is clearly the biggest and most important and will require work during the whole project period.

### 3. Conclusions and follow up

- It’s a priority A to get automatic updating procedures to Enterprise and Local Units
- It’s a priority A to look at loading new data deliveries (each month) from NAPR and how to handle history information
- It’s a priority A to have creation of Frozen SBR frames in production and used by surveys.
- It’s a priority B to have information about Cash registers in production to improve knowledge about NACE and creation of Local units
- It’s a Priority B to assess the possibilities for automatic creation of Enterprise Groups and how to manage automatic updating
- It’s a Priority B to get access to data about Joint Stock companies from the Central Bank. The first is to require test data and analyse the quality.
- It’s a priority A to obtain preliminary knowledge about the extent of foreign affiliates and the possibilities for surveying the domain.
- It’s a Priority A to have an “in-house estimate” about Response burden for the management

Actions needed for moving forward:

Action	Deadline	Responsible person
Danish expert will send <ul style="list-style-type: none"> <li>• Example on description</li> <li>• Information about history in the the Danish model</li> <li>• The Standard Cost Model</li> </ul>	September 2019	Mr. Steen Eiberg Jørgensen
Description for automatic updating re Legal unit and enterprise with focus on data from NAPR and Revenue Service	To the mission in December 2019	Mrs. Manana Telia
To define variables on enterprise where the SBR team can improve data	To the mission in December 2019	Mrs. Manana Telia
To have an “in-house estimate” and validation of the quality for several statistics	To the mission in December 2019	Mrs. Manana Telia
The SBR team and the management shall look in to the budget for each of the eight items to find out if the plan is realistic	To the mission in December 2019	Mr. Giorgi Sanadze and Mrs. Manana Telia
Presentation of the Danish algorithm for automatic calculation of sector for 99% of the legal entities	To the mission in December 2019	Mr. Steen Eiberg Jørgensen



## Annex 1: Summary of the discussions on each topic to be targeted in the project

The first and main initiative is the development and implementation of automatic updating – i.e. data input and processing - including creation and updating of the statistical units ‘enterprise’ and ‘local unit’, cf. below.

### Automatic updating (1)

- **Introduction**
  - Geostat receives data from NAPR and TAX on Legal units. The problem is that it is difficult and some rules for updating the Enterprise and Local Units are missing
- **Initiative ('what')**
  - Define and implement rules/events (method and automated IT procedure) and consistency checks for treatment of data from NAPR and TAX on legal units for the updating of the statistical units (Enterprises and Local units) in the SBR
- **Aim ('why')**
  - To minimize the cost for updating statistical units when SBR get new administrative data from NAPR and Tax and improve the usability for statistics production
- **Tasks ('how' and 'when')**
  - A1: Review (define/confirm) for each source how to store / update with new information
  - A2: Analyse the relevance of secondary activities by size class (create new small size class)
  - A3: Develop rules/procedures for deciding which activity is the main activity
  - A4: Develop rules/procedures for deciding activity at local units
  - B1: Develop for each variable rules/procedures whether and how updates from NAPR to legal unit shall it update the enterprise
  - B2: Define for each variable the flow of data from enterprise to local unit (if main address and for others)
  - C: Implement automatic updating
- **Participants ('who')**
  - SBR, IT and approved by users (business stats. Divisions plus NA)
- **Resources (estimate or 'time-box')**
  - To be assessed by Geostat - e.g. SBR: +400 hours, IT: +400 hours, others (incl users): 50 hours?

### Automatic updating (2) Review / define for each source how to store / update with new information

- Define/confirm data sources for each variable / data item
- Define how to only take new information in to SBR
- Find out and define which variable on enterprise could be "owned" by SBR (i.e. where values can deviate from admin. sources)
  - Describe handling when admin. source has new information (e.g. a change of NACE code less than two years after SBR has decided a SBR NACE code based on direct contact with enterprise)
- Describe (from a logical / business point of view) how an event (creation, update, cessation etc.) in the admin source should be updated in the SBR – in a way which is understandable also to IT staff ~ "all the if-then"!
  - Update rules from enterprise to Local unit
- Define consistency rules in data model between enterprise and local unit for NACE and between all type of units for relations
- **Homework for SBR team until December 2019, when Steen is back?**
  - Steen will send example from Denmark about description
  - Description re Legal Unit and enterprise – not local unit
  - Focus on update from NAPR and Revenue Service to Legal unit including suggestion for activity for units without and with many activities
  - To define variables on Enterprise where the SBR team can improve data (i.e. deviate from admin data).



## Automatic updating (3) Review / define for each source how to store / update with new information

- Source
  - NAPR
    - Name
    - Registration data
    - Registration ID
    - Legal address/actual address??
    - Legal form
    - Contact information
    - Director information
    - Partners
    - NACE
  - Revenue Service (tax)
    - Tax code
    - Active/not Active
    - Contact information
    - NACE
- SBR data
  - Enterprise
    - Name ?
    - Actual address??
    - Active/not active
    - Start\_date?
    - Legal form
    - Contact information
    - NACE
    - Size class – statistical information
    - Institutional Sector
  - Local Unit
    - Name
    - Address
    - NACE
    - Statistical information?
- Surveys as a source for SBR  
(i.e. 'two-way')

## Automatic updating (4) Historicism: Data model and GUI

- **Introduction**
  - With regard to the historicism of Geostat's SBR the team asked about the practice in the Danish SBR. The Geostat SBR system simply checks updates for source and date and thereby overwrites more than just the updated info. This led to exchange of info about the data model and the GUI for historical information, which the Danish experts find not fully in line with EU recommendations re SBR data base structure.
- **Initiative ('what')**
  - Upgrade the SBR data model with 'double history' and GUIs for the users
- **Aim ('why')**
  - To enable a better frozen version of the SBR which is important for the quality and coherence of survey results.
- **Activities ('how and when') (should be seen in conjunction with activities re automatic updating, cf. above)**
  - The Danish SBR table structure will be communicated to Geostat. As point of departure discussions will continue during activity 3.2.B with a view to decide strategy.
  - Depending on the decision of Geostat describe and decide changes to the data model, tables and GUI in the SBR.
  - Implement and document changes.
- **Participants ('who')**
  - SBR team and IT
- **Budget (estimate or 'time-box')**
  - Medium budget



The second initiative is about the output from the SBR to its users – how to ensure a high and uniform quality with a view to strengthen the coherence of results from the business surveys.

## Frozen SBR frame for surveys

- **Introduction**
  - Geostat has created frozen annual version for 2017. Wants to have it in production
- **Initiative ('what')**
  - Have frozen frames in production.
  - Have accept/commitment from users to use it
  - Decide which units and variables to have in the frozen frame
  - To have information about new entrepreneurs and size
  - What dates are used for extraction of the frozen frame
- **Aim ('why')**
  - Have frozen frames used in surveys in order to improve coherence across domains
- **Activities ('how and when')** *(start talks with users in summer/autumn of 2020 – implement after new SBR updating procedures are in production)*
  - To coordinate with the National Account component
  - Presentation of frozen frame on study visit to Denmark
  - Describe when SBR have best information for the reference year
  - Talk to users about best time for freezing for year t-1 (balance accuracy vs. actuality)
  - Decide which variables and units shall be part of the frozen frame
  - Describe for statistics how to use the frozen version
- **Participants ('who')**
  - SBR team and IT
- **Budget (estimate or 'time-box')**
  - SBR: 50 hours IT: 150 hours





The third initiative is about further utilisation of a supplementary data source for the identification of local units and for activity coding.

## Cash register data

- **Introduction**
  - From the Revenue service Geostat annually receives information about cash registers in the trading sector: ID for the cash register, ID for the legal owner of it, whether it is used, and (some times) the address (location). Currently, that data are used for legal units with only one cash register. The question is whether the source holds greater potential for the SBR and Geostat.
- **Initiative ('what')**
  - To use these data to update the SBR (identification of local units and (if possible) its main activity)
- **Aim ('why')**
  - To use the information for automatically creating, updating and closing local units, and to define enterprises as active.
- **Tasks ('how and when') (draft of first three tasks for mission in May 2020)**
  - Further analyse data source and its usability: Assess how to identify new information and what the data can tell us about activity
  - Decide whether cash register ID shall be a part of the local unit (relation)
  - Decide how and when data shall influence on enterprise and Local unit
  - Develop and implement procedures in SBR
- **Participants ('who')**
  - SBR, IT and internal users
- **Budget (estimate or 'time-box'?)**
  - To be assessed by Geostat

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The fourth initiative is about methodological preparation (but not development and implementation during the twinning period) for a future enhancement of the SBR with data about enterprise groups – automatically updated on the basis of admin. sources, cf. EU recommendations.

## Enterprise Groups

- **Introduction**
  - The EU SBR regulation and recommendations stipulate inclusion of Enterprise groups as unit / entity in the national SBRs.
  - Geostat's SBR team occasionally faces external demand for enterprise group information. The data model of Geostat's SBR supports Group\_ID and creation of enterprise groups with relations between legal units (ownership and control), but currently no procedures for automatic creation/updates exist and no enterprise groups are stored in the SBR database.
- **Initiative ('what')**
  - Assess the possibilities for automatic creation of enterprise groups in the SBR database. If possible automatically create/maintain enterprise groups on a limited scale.
- **Aim ('why')**
  - To have regularly updated data about owner structure (tree structure) based on admin data and without manual case handling.
- **Activities ('how and when') (Autumn 2020)**
  - Assess and describe 1) user needs and 2) quality of data sources with a view to decide relevant candidates for enterprise groups
  - Develop methodology paper for creation / maintenance plus work plan for implementation
  - Describe how input data about legal unit owners could be improved for statistical purposes and plan joint activity (workshop or similar) with NAPR re data quality and usage
- **Participants ('who')**
  - SBR, IT, internal users and NAPR
- **Budget (estimate or 'time-box'?)**
  - Low cost





The fifth initiative is partly related to initiative four above re enterprise groups in the sense that it relates to data about ownership. Again, this initiative is a preparation for a possible future enhancement of the SBR and it involves cooperation with the National Bank of Georgia.

## Joint Stock Companies

- **Introduction**
  - Public limited companies where shares are spread among many owners pose a challenge for analysis of e.g. domestic vs. foreign ownership. Data exist (to some extent) in the Central Bank. Data could be used to improve ownership data from NAPR, but data sharing with Geostat is up to the Central Bank to decide.
- **Initiative ('what')**
  - Analyse potential for data quality and – if relevant – pursue data access via agreement with the Central Bank.
- **Aim ('why')**
  - Clarify usability of data source and enter Memorandum of Understanding re data sharing agreement
- **Activities ('how and when') (autumn 2020)**
  - Require test data from Central Bank
  - Analyse data source in central bank
  - Build up business case document
  - Hold high level meeting with Central Bank with a view to agree data sharing/delivery on a current basis – i.e. use the EU twinning project as leverage for data access
- **Participants ('who')**
  - SBR team and Geostat higher mgt.
- **Budget (estimate or 'time-box'?)**
  - Low cost



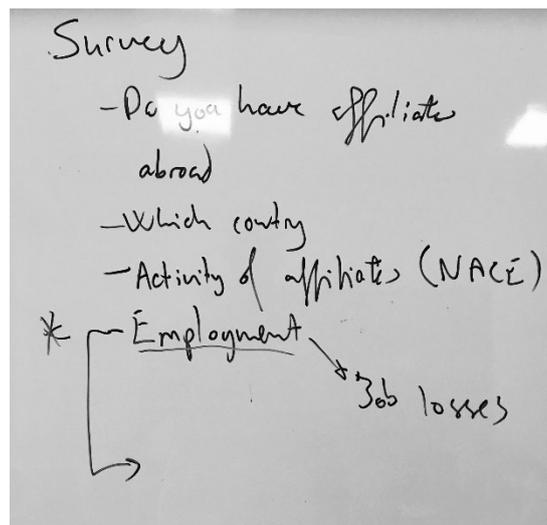


Following initiative four and five the sixth initiative relates to the possible future production of outward FATS – i.e. about the magnitude and activities of Georgian enterprises’ foreign affiliates. The aim is to conduct a pilot study as a basis for decision by Geostat on whether/when to start producing OFATS.

## FATS

- **Introduction**
  - Geostat produces and disseminates IFATS, but not OFATS. OFATS is recommended by EU. Geostat acknowledges the relevance, but does currently not face national demand for OFATS.
- **Initiative ('what')**
  - Geostat will consider conducting a pilot study during the twinning project period re the magnitude of Georgian foreign affiliates and the enterprises' willingness to submit data about these. The results and future implications will be discussed with Geostat mgt. and external users as applicable.
- **Aim ('why')**
  - The aim is to obtain preliminary knowledge about the extent of foreign affiliates and the possibilities for surveying the domain with a view to have a basis for a decision for future activities re OFATS.
- **Activities ('how and when') (During the project period)**
  - The plan for a pilot study – as well as the FATS concepts and methodology – will be discussed during activity 3.2.b in December 2019.
  - A question re foreign affiliates (yes/no) in a CATI survey conducted in 2020 by the SBR team among a subset of larger Georgian enterprises will be planned. Important that interviews are made with the person responsible for the enterprise. Or ...
  - ... an alternative approach could be to include a question on foreign affiliates (yes/no) in the SBS survey for reference year 2019 (where results will be available in autumn 2020).
  - It is recommend to look into mirror statistics (IFATS) from larger partner countries and perhaps commercial sources (if not too costly).
  - Geostat should review whether the SBR classification re ownership needs amendments (current list of values is a mix of 'legal form' and 'owner') and decide on borderline cases (e.g. '50/50 case').
- **Participants ('who')**
  - SBR team
- **Budget ('estimate or 'time-box'?)**
  - Low cost

The Danish experts also presented the 4 questions for each affiliate statistics Denmark ask about





The seventh initiative – which is not directly related to the business register – is about measuring the response burden on private businesses from replying to the statistical surveys. Geostat will apply the EU Standard Cost Model (SCM) taking Danish practice as point of departure.

## Response burden mgt.

- **Introduction**
  - EU recommends Geostat to assess the response burden put on Georgian businesses by statistical surveys. There is currently no national requirement to measure or reduce the burden. The Standard Cost Model (SCM) for burden measurement and its application in Statistics Denmark was presented.
- **Initiative ('what')**
  - Geostat will study the tool for applying the SCM with a view to assess the burden.
- **Aim ('why')**
  - The aim is to have an 'in-house estimate' (as point of departure measured in hours – not in Lari) of the current burden and get experience with the SCM. If communicated externally it could add to transparency and legitimacy.
- **Activities ('how and when')**
  - The simple Danish tool will be delivered to Geostat.
  - The SBR team will collect the necessary data for the calculation. As point of departure it will cover all business surveys. In relation to this it must be assessed whether the estimated average time per report is reasonably realistic.
  - The SBR team will discuss with Geostat's management whether/how the results will be published and/or discussed with the business community.
- **Participants ('who')**
  - SBR team – with input from survey teams and methodology division
- **Budget**
  - Low



Finally, a number of other issues were discussed of which some of them will be revisited during coming activities in this component.

## Other issues

- **Active / non-active:** Include in frozen version or not. How to mark them if they are in the frozen version?
- **Official (unique) address codes:** Solution to be found on national level?
- How to **link persons to LKAU?** For the future
- **Business demography:** A methodological question re 're-starters' vs. 'new enterprise' was discussed. This is related to rules re active/inactive enterprises. SBR team took note of the explanation of Danish practice. It should be noted that this will be affected by changes to updating procedures, cf. above.
- **Institutional sector:** Currently, the institutional sector code is only allocated on the basis of activity codes (aggregation). It should be looked into – in coordination with the National Accounts component – to implement a solution based on a combination of activity and legal form. SD will provide input about this. (will be presented in Dec. 2019)
- **Study visit to Statistics Denmark:** During the mission to Tbilise in December 2019 Geostat's needs and wishes vis-à-vis the study visit will be discussed.



Statistics Demark also presented the Danish SBR and the history model. And a presentation of how to update many units individually and at the same time. One of the Danish experts also spent one hour with Mr. Giorgi Kartvelishvili from the IT-department for better understanding of it-issues.



## Annex 2. Terms of Reference

### EU Twinning Project GE 16 ENI ST 06 18

September 16<sup>th</sup> – September 19<sup>th</sup> 2019

### Component 3: Development of Business Statistics

#### Sub-component 3.2: Statistical Business Register (SBR)

##### Mandatory results and benchmarks for sub-component 3.2

- Statistical business register (SBR) improved

##### Indicators of Achievement (baseline and targets):

- Availability of SBR-Storage procedures
  - **Baseline:** 2019 – Updating and storage procedures of SBR are insufficient
  - **Target:** December 2020 – Relevant changes applied for Ownership classifications, Continuity rules, Time stamps, Data changes and activity codes in SBR

#### **Activity 3.2.A: Discussion of current situation and outline of a work plan**

##### 1. Purpose of the activity

To present, discuss and work on the below mentioned subjects:

- Content of the GEOSTAT Business Register and current situation in the field (brief overview of joint project between GEOSTAT and Statistics Sweden, including main achievements)
- IT data model and structure
- Data sources, automatic updating, quality, linking, validation
- Units, Local Units (LOU), Enterprise, Kind of Activity Unit (KAU), Local Kind of Activity Unit (LKAU), Enterprise Groups
- Ownership classification and ownership types including foreign vs domestic
- Usage of cash machine data for SBR purpose
- Continuity rules
- Time stamps
- Data changes and activity codes.
- Change tables

##### 2. Expected output of the activity

- The subject matters discussed, evaluated and prioritized
- A specific work plan for sub-component 3.2 compiled.
- Mission report written
- Preparation of ToR for next mission

## Annex 3. Persons met

### Geostat

Ms. Lia Dzebisauri, Deputy Executive Director,

Ms. Mariam Kavelashvili, Deputy Head of Strategic Planning, Coordination and Communication Department

Mr. Giorgi Sanadze, Head of Business Statistics Department,

Ms. Manana Telia, Head of Business Register Division

Ms. Ekaterine Durglishvili, Chief Specialist of Business Register Division

Ms. Manana Sharukhia, Chief Specialist of Business Register Division

Mr. Givi Ioseliani, Senior Specialist of Business Register Division

Ms. Khatuna Bzhalava, Senior Specialist of Business Register Division

Mr. Giorgi Kartvelishvili, IT-specialist

### RTA Twinning Team

Mr. Steen Bielefeldt Pedersen, Resident Twinning Advisor

Ms. Eka Lobzanidze, Resident Twinning Adviser Assistant