

Twinning Project

Contract: GE 16 ENI ST 06 18

Strengthening the Capacity of the Georgian Statistical System

Component 2: “Enhancing methodological soundness in the National Accounts in line with the EU standards”

MISSION REPORT

Activity: 2.0 “Assessment of the current situation

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May 6th – May 8th 2019

Version: Final



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List of Abbreviations

EC	European Commission
EU	European Union
MS	EU Member State
RTA	Resident Twinning Adviser
RTAA	Resident Twinning Adviser Assistant
ToR	Terms of Reference

1. General comments

This mission report was prepared within the EU Twinning Project "Strengthening the Capacity of Georgian Statistical System". It was the initial mission devoted to assess the current situation within Component 2 of the project.

The purposes of the mission were:

- To assess the current situation and thereby;
 - Identify the most important action areas, prioritize activities and identify risk and problems and
 - Assist the RTA and project leaders in compiling the initial work plan, schedule the activities.

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.

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

Component 2 of the twinning project is by far the most extensive of the components in the project, with 6 sub-components to be dealt with making the implementation period very tight. Some of the sub-components are interrelated which contributes to further complications.

Further to be taken into account is the fact that GEOSTAT is involved in a project with the IMF with the purpose of improving the national account statistics in Georgia and derive accurate estimates for Gross Domestic Product (GDP). The IMF project started in 2017 emphasising the tasks needed to be prioritized prior to the planned release of a major revision largely represented by the implementation of the System of National Account 2008 (SNA 2008) including improved compilation methods and thus improving the accuracy and international comparability of the Georgian national accounts.

During the latest mission in October 2018 IMF and GEOSTAT outlined a specific action plan to be followed to improve accuracy and reliability of the national accounts when revised in November 2019.

Subcomponent 2.1 "Compilation methods of National Accounts improved and new products implemented" is very much interrelated to the GEOSTAT/IMF project. The experts have though ascertained that GEOSTAT has not been able to reach the goals set out in the action plan with IMF.

Due to the fact that improvement of the National accounts is a highly prioritized objective, the experts and GEOSTAT officials spent an essential part of this mission to discuss the revision and the work and the missions that has to be carried out during the next 6 month on this specific issue.

The experts questioned the possibility for GEOSTAT to allocate the necessary resource to reach the objective and underlined the necessity to be extremely focused in order to successfully complete the task.

The focus on the mission was first and foremost to try and get an overview of the 6 subcomponents to make a time plan for the activities and to outline in more details the activities planned for the project months 3 to 9 and the expected outputs from these activities.

As mentioned above subcomponent 2.1 is of great importance and a tight time plan makes the subcomponent a highly prioritized area within the next 6 month.

Sub-component 2.2 “Compilation methods of Supply-Use (S/U) tables improved and Input-Output (I/O) tables implemented” is the most comprehensive of the subcomponents and is at the same time interrelated to subcomponent 2.1 as the improved methods and new products mentioned in 2.1 also depends on Supply-Use tables. After discussions, considerations and presentations by GEOSTAT officials concerning the compilation methods, the experts proposed to construct new S/U tables with 2018 as a benchmark year according to international standards, on the basis of all available sources, especially the Structure of Business Survey (SBS) data, a new Cost structure survey planned to be conducted in June, as well as detailed accounting information on the cost structure within general government from the Ministry of Finance. The final version of a new set of tables can be available late 2020 and inclusion of their results will then probably require a general revision of the national accounts.

A new mission in June has been agreed upon to discuss, among others, the degree to which new compilation methods of S/U, due to the very tight time schedule, can be implemented in the new products developed before the end of 2019, cf. subcomponent 2.1. There is quite a lot of work to be done outside of the missions, which will be outlined in the Terms of Reference for the coming missions.

Another important issue for the National Accounts system is the methods used for non-observed economy, which is the subject for sub-component 2.4, and the third subcomponent in which missions are planned within project months 3-9. GEOSTAT is to conduct a survey on part of the non-observed economy in June 2019 which was briefly discussed.

The results, recommendations and conclusions were presented for the GEOSTAT project leader Mr. Gogita Todradze, Executive Director of GEOSTAT, at the end of the mission. The presentation highlighted the interrelations of the work that has to be done in the different subcomponents, the short term issues of subcomponent 2.1, 2.2 and 2.4 and the time constraints within it, and last but not least considerations and proposals concerning the work and the missions that has to be conducted before the end of 2019.

3. Conclusions and recommendations

- Due to a very tight time plan it is recommended that GEOSTAT put all their focus and efforts on the preparations of the ongoing conversion to SNA2008 according to the plan of publishing new NA-figures by November 2019 in which the problems and inconsistencies pointed at by IMF are addressed.
- As a basis for a general revision of the national accounts, it is proposed to construct new S/Us according to international standards, on the basis of all available sources especially the SBS-data, the new Cost Structure survey and detailed information from government finances. As most data sources will be available for 2018 this year is chosen as benchmark year.
- The new table should contain the new 64 NACE 2based industry classification industries and a lot more products – probably around 200-300 products all depending on the primary statistics sources

Actions needed for moving forward as well as for preparing the next mission:

Action	Deadline	Responsible person
Finalize the cost structure survey scheme and initiate the survey as soon as possible	Before next mission end June	GEOSTAT
Make proposals for the solutions of still missing calculations on FISIM, new methods on Owner-occupied dwellings and address the problems with government non-market expenditures.	Before next mission end June	GEOSTAT
Begin the work with transformation of	Before next mission end June	

old NACE to new NACE on industry intermediate consumption		
Proposals concerning the specific subject and expected outputs on the proposed missions/activities for the next 8 months.	May 20 th	Experts and RTA
Proposals concerning the action plan for entire project on component 2.	May 20 th	Experts and RTA

Annex 1. Terms of Reference

Terms of Reference

EU Twinning Project GE 16 ENI ST 06 18

6-8 May 2019

Component 2: Enhancing methodological soundness in the National Accounts in line with the EU standards

Activity 2.0: Assessment of current situation

0. Mandatory results and benchmarks for the component

Mandatory results:

- 2.1 Compilation methods of National Accounts improved and new products implemented
- 2.2 Compilation method of Supply-Use (S/U) tables improved and Input-Output (I/O) tables implemented
- 2.3 Compilation methods for Sectoral Accounts improved
- 2.4 Evaluation methods of non-observed economy improved
- 2.5 Seasonally adjusted quarterly time series of National Accounts disseminated
- 2.6 Recommendations for development of software with the view of National Accounts compilation provided

Indicators of Achievement:

- The purpose of this activity is to assist the Geostat and Twinning team to further develop the benchmark and indicators of achievement for component 2 and its sub components

1. Purpose of the activity

- Assessment of the current situation and the standards used regarding the National Accounts in Georgia
- To assist the RTA, MS and BC project leaders in compiling the initial rolling work plan
- To provide support to the scheduling of activities in the component on National Accounts and its sub components
- To identify the most important actions areas in component 2
- To prioritize activities and the sub components in component 2
- To establish a realistic time frame / sequencing of activities / sub components in component 2
- To identify risks and problems relevant to the implementation of component 2
- To identify and incorporate relevant stakeholders for the work to come
- Evaluate and provide input to the questionnaire of the upcoming survey on intermediate consumption
- Provide input to the upcoming survey on non-observed economy

2. Expected output of the activity

- Overview of current situation regarding the national accounts in Georgia
- Overview of current challenges and opportunities in national accounts in Georgia
- Timeframe / implementation schedule for component 2 and its sub components
- Suggestions for staffing of the activities
- Input provided to RTA & Twinning Team for compilation of rolling work plan #1
- Input provided to the surveys on intermediate consumption and non-observed economy

Annex 2. Persons met

Geostat:

Mr. Gogita Todradze, Executive Director,
Ms. Mariam Kavelashvili, Deputy head of Strategic planning,
Mr. Levan Karsaulidze, Head of National Accounts Department
Ms. Maka Kalandarishvili, Head of Annual Accounts Division
Ms. Tinatin Papiashvili, Head of Quarterly Accounts Division
Mr. Irakli Kartvelishvili, Chief Specialist, Quarterly Accounts Division
Ms. Venera Tsertsvadze, Specialist, Quarterly Accounts Division
Ms. Natia Merebashvili, Contract Employee
Mr. Giorgi Sanadze, Head of Business Statistics Department

External stakeholders:

Mr. Pridon Aslanikashvili, Deputy Head of Macroeconomic Analysis and Fiscal Policy Planning Department,
Ministry of Finance of Georgia

RTA Team:

Steen Bielefeldt Pedersen, RTA
Ekaterina Lobzhanidze, RTA - Assistant