



ევროკავშირი
საქართველოსთვის
The European Union for Georgia



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”

Sub-component 2.4: “Evaluation methods of non-observed economy”

MISSION REPORT

Activity 2.4.B (RS) “Further preparation of identification and methodological documentation”

Mission carried out by
Mr. Jiří Vopravil, Czech Statistical Office
Mr. Vladimír Kermiet, Czech Statistical Office

September 28th – November 6th 2020

Version: Final



ევროკავშირი
საქართველოსთვის
The European Union for Georgia



Expert contact information

Mr Jiří Vopravil
Czech Statistical Office
Prague, Czech Republic
Tel: +420 274052678
Email: jiri.vopravil@czso.cz

Mr Vladimír Kermiet
Czech Statistical Office
Prague, Czech Republic
Tel: +420 274054247
Email: vladimir.kermiet@czso.cz

Table of contents

1. General comments	4
2. Assessment and results	4
3. Conclusions and recommendations	4
Annex 1. Terms of Reference	4
Annex 2. Persons met	10

1. General comments

This mission report was prepared within the EU Twinning Project "Strengthening the Capacity of Georgian Statistical System". This was the second mission within the sub-component 2.4: "Evaluation methods of non-observed economy" as activity 2.4.B "Further preparation of identification and methodological documentation". Due to the Covid-19 restriction the activity was not able to arrange as physical meeting in 2020 and it was organised as 2-3 hours Remote Sessions (RS) in these dates: September 28th and 29th, October 26th and 30th, November 3rd and 6th.

The purpose of the mission was to present, discuss and work on the below mentioned subjects:

- Continued discussion on NOE categories in activities of NACE rev. 2 revealed during 2.4.A;
- Preparatory works for identifying and systemizing NOE according to Eurostat's Tabular Approach to Exhaustiveness;
- Data collection for the Labour Input Method (LIM);
- Description of methodology for estimation of N.3, N.5 and N.7 in Georgia;
- Preparation of survey on N.6.

Expected output of the activity were:

- NOE categories in activities of NACE rev. 2 revealed during 2.4.A have been discussed;
- Preparatory works for identifying and systemizing NOE according to Eurostat's Tabular Approach to Exhaustiveness have been conducted;
- Data collection for the LIM;
- Description of methodology for estimation of N.3, N.5 and N.7 in Georgia have been performed;
- Survey on N.6 prepared;
- Mission report written;
- ToR for next activity prepared.

Due to the sensitivity of several NOE components (illegal activities, tax cheating etc.), it was not possible to discuss all the planned topics via video meeting.

The views and observations stated in this report are those of the consultant 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

There are two main data sources for the LIM: Labour Force Survey (LFS) as labour supply and Structural Business Statistics (SBS) as labour demand. The data were collected from relevant departments by 2-digit NACE rev.2:

LFS is in national concept:

- Main job (full time, part time) and secondary job
 - Number of jobs
 - Total actually hours worked
 - Average actually hours worked
 - Employees
 - Self-employed with employees
 - Self-employed without employees (own account workers + Members of producers' cooperatives)
 - Unpaid family workers



ევროკავშირი
საქართველოსთვის
The European Union for Georgia



- Workers abroad
- Calculation of Full Time Equivalent (FTE) jobs

SBS is in domestic concept:

- Number of employed persons
- Number of hired persons
- Number of working hours
- Calculation of the FTE number of employed persons
- Calculation of the FTE number of self-employed persons

Non-SBS (additional administrative data source):

- A: Agriculture, forestry and fishing
- K: Financial and insurance activities
- M: Professional, scientific and technical activities
- O: Public administration and defence; compulsory social security
- P: Education
- Q: Human health and social work activities
- R: Arts, entertainment and recreation
- S: Other activities
 - Number of employees

Additional adjustments:

- To deduct residents working abroad
- To add non-residents working in Georgia (permits issued by the Ministry)
- To deduct maternity leave from LFS
- Institutional households are not covered by LFS – How many persons living in the institutional HH?
- Agriculture already includes the NOE (Agriculture is fully covered) – Number of employed in agriculture?

Rules for distributions between S.11 and S.14 are not done yet (development of Sector accounts is needed).

Other NOE categories discussed:

- **N.3**
 - Individual housing construction (IHC) should be split into:
 - new construction (number of permits) - the value of the house during the construction procedure and during the building approval
 - reconstruction - the value of the house during its lifetime - its value must be invested in the form of reconstructions
 - GEOSTAT would like to add also private tutors (they are not obliged to register)
- **N.5**
 - It is necessary to find out how is it with “free jobs” (they are not sometime in the Business Register - are not subject to statistical surveys – but they could be registered by Tax Authorities).
- **N.7**
 - Tips: mainly to taxi drivers, waiters and hair dressers. There should be request on the Household Budget Survey (HBS) to add question on the tips in the HBS questionnaire.

3. Conclusions and follow up



The compilation of the LIM for NOE estimation category N.1 in the NA department in the GEOSTAT was done. However, there are still several doubts in the results, which should be discussed and analysed:

- To check the data sources (LFS and SBS) if they were handled correctly;
- To check the LIM compilation that the calculation of the FTE on supply and demand sides was made correctly;
- To discuss negative results in several NACE.

Possible data sources and methodology for estimations of NOE categories N.3, N.5 and N.7 were also discussed.

Actions needed for moving forward:

Action	Deadline	Responsible person
Ad-hoc video consultations to the NOE estimations in line with GEOSTAT NA needs	Before the Activity 2.4.C	Levan Karsaulidze, Vladimir Kermiet, Jiri Vopravil

Plans for future works (in accordance to the main objectives of the sub-component 2.4):

Activity 2.4.C: Analysis of progress in special survey and preparation of methodological documentation

- Preparation of methodological documentation regarding methods used for measuring non-observed economy in the country, according to the tabular approach of Eurostat;
- Analysing progress of conducting special surveys regarding measuring non-observed economy;
- Meetings with illegal activities experts (drug trade, sex-business, smuggling) and Tax Authorities experts;
- Data collection for the illegal activities;
- Analysis of LIM;
- Estimation of N.2 (illegal activities);
- Description of methodology for estimation of N.3, N.5 and N.7 in Georgia;
- Estimation of N.3 and N.5;
- Preparation of survey on N.6;
- Description of methodology for estimation of N.1 and N.2;
- Proposed date: 2 STEs x 5 working days in April 2021.

Activity 2.4.SV: Study visit to get inspiration from MS experience

- Study visit to the Czech Republic to gain insight into the estimation of NOE and the method of evaluation of NOE in the Czech Republic
- Possibility to discuss subjects under sub-components 2.3 and 2.4 on the same study visit
- Proposed date: 5 persons x 3 working days + 1 RTAA/Interpreter (the date will be decided after COVID-19 situation)

Activity 2.4.D: Additional mission for finalizing of NOE estimations (proposal)

- Final estimation of N.6
- Recording of all NOE estimations into the NA system
- Final methodological description of all NOE estimations in Georgia
- Proposed date: 2 STEs x 4 working days in 2nd quarter 2021 (preliminary proposal)



Annex 1. Terms of Reference

Mandatory results and benchmarks for sub-component 2.4:

- Evaluation methods of non-observed economy improved

Indicators of Achievement (baseline and targets):

- Availability of an estimation framework according to NACE 2 as an internal tool
 - **Baseline:** 2019 – Estimation framework of non-observed economy according to NACE 2 not available
 - **Target:** February 2021 – Framework for estimating non-observed economy by sector according to NACE 2 available

Activity 2.4.B (RS) “Further preparation of identification and methodological documentation”

1. Purpose of the activity

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

- Continued discussion on NOE categories in activities of NACE rev. 2 revealed during 2.4.A
- Preparatory works for identifying and systemizing NOE according to Eurostat’s Tabular Approach to Exhaustiveness
- Data collection for the LIM,
- Description of methodology for estimation of N.3, N.5 and N.7 in Georgia
- Preparation of survey on N.6

2. Expected output of the activity

- NOE categories in activities of NACE rev. 2 revealed during 2.4.A have been discussed.
- Preparatory works for identifying and systemizing NOE according to Eurostat’s Tabular Approach to Exhaustiveness have been conducted
- Data collection for the LIM,
- Description of methodology for estimation of N.3, N.5 and N.7 in Georgia have been performed
- Survey on N.6 prepared
- Mission report written
- ToR for next activity prepared



Annex 2. Persons met

Geostat

Mr. Levan Karsaulidze, Head of National Accounts Department

Ms. Tinatin Papiashvili, Quarterly Accounts Division, National Accounts Department

Mr. Irakli Kartvelishvili, Quarterly Accounts Division, National Accounts Department

Ms. Natia Merebashvili, Annual Accounts Division, National Accounts Department

Ms. Irma Gvilava, Head of Labour Force Division

Ms. Tinatin Ksourel, Business Statistics Division

Ms. Lia Dzebisauri, Deputy Executive Director

RTA Twinning Team

Mr. Steen Bielefeldt Pedersen, Resident Twinning Advisor

Ms. Eka Lobzanidze, Resident Twinning Adviser Assistant