

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: 2.1.A “Further assessment and transition to SNA 2008”

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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 second mission within Component 2 of the project.

The main purpose of the mission was to:

- Gather further information on available source data.
- Outline how data sources can be utilized in the conversion of industry groups from 45 NACE 1.1 industries to 64 NACE 2 industries. A new calculation of output and input based on the SBS-statistics will probably change the levels of gross value added by industries. It had to be considered to which extent such changes can be implemented in the national accounts version that is published in November 2019.
- Establish an overview on available data for calculation of output, input and final consumption of general government.
- Get an overview on the available source data for specific areas of the economy: Insurance, FISIM, imputed rent of owner occupied dwellings.

Furthermore the mission should contain a discussion on the format and dimensions of a new comprehensive Excel-based framework for supply and use tables, as preparation for the coming mission 2.2.A:

- Presentation Excel framework for SUTs with a detailed product-classification, industries based on NACE rev.2, household final consumption by COICOP, government final consumption by COFOG-groups and capital formation by types.
- Discussion on the choice of classifications for products, industries and consumption groups as well as the choice of layers for valuation matrices on the uses side.

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

Geostat is planning to publish new national accounts figures according to SNA 2008 and NACE rev2 in November 2019. IMF and GEOSTAT had outlined an action plan to improve accuracy and reliability of the national accounts when revised in November 2019. At the time of the present mission a number of specific issues mentioned in the IMF reports still need to find a solution.

Subcomponent 2.1 focuses on the finalization of the version of national accounts series that can be published in November. During the present mission the Danish experts together with staff from Geostat drew up plans for solutions to the outstanding issues.

SBS: The double-coded accounts statistic for 2015-2017 is the basis for conversion from the 45 industry groups of the present national accounts to the 64 industry level of NACE rev.2. In subcomponent 2.2 a new system for compilation of SUTs will be based on a new processing of the SBS data. Preferably the same new totals for industry outputs, inputs, inventories, GFCF and compensation of employees should be used in the November 2019-version. However, the consequence for value added is unknown until new values are calculated and can be compared with the existing national accounts.

Hence processing of the SBS has a very high priority. The result will determine whether a full implementation of the new system before November 2019 is realistic, or whether it will be necessary to use a simpler method of conversion.

The coding of SBS-variables to the transaction types used in the SUTs was discussed and the Geostat staff demonstrated how the 2017 SBS file can be recoded to produce industry totals for output and input. It was agreed that a first version of processed SBS-data for the years 2015-17 shall be ready and made available to the Danish experts by 15th of July.

The data from SBS is based on business accounting practices that do not fully comply with national accounts definitions. Some of the significant adjustments were discussed during the mission.

- A new system for calculation of changes in inventories excluding holding gains and -losses was outlined. A distribution by type of inventory and by industry is needed. Price indices must be chosen for the elimination of holding gains and -losses. During the mission templates were drawn up for these calculations.
- A system for distribution of insurance by uses (input, household final consumption) must be created. Business accounting usually includes insurance premiums in their expenses, while national accounts includes insurance services calculated according to national accounts definitions. The calculation of insurance output is available, but the difference between premiums and insurance-services must be distributed by uses before new figures for gross value added by industry can be determined.
- A system for distribution of FISIM by uses will need to be established. It seems that data is available for this calculation. FISIM is a concept that does not exist in business accounting and its supply and use can be added to the SUTs after the balancing of other supply and use has been performed. The distribution of FISIM is planned to be finalized in mission 2.1.B in September 2019 and a first version of the distribution should be compiled before this mission.

Owner occupied dwellings: Finalization of the calculation of imputed rent of owner occupied dwellings is planned to take place in mission 2.1.B. A template for the calculation has been prepared in cooperation with IMF. In the present mission the topic was mentioned to ensure that data on square meters and prices will be available before the September mission.

General government: A simple template for calculation of production value of general government and government final consumption was drawn up already during the assessment mission in May. In the present mission the calculations of non-market activity from cost side was dealt with. The tight time schedule does not leave time for a thorough examination of the coding of individual units before November. Intermediate consumption and compensation of employees is available. It is, however, necessary to supplement the existing data by other components of the costs:

- Other taxes and subsidies on production, typically on motor vehicles, land or buildings.
- Consumption of fixed capital. A system for calculation of CFC can be provided by the Danish experts. It will, however, require information on investment at least for some recent years – preferably by type – for those COFOG groups for which government production shall be published.

The calculation of government final consumption furthermore requires:

- Sales revenue and own account investment. Values seem to exist, but need to be looked into.
- Data on social benefits in kind. It is here necessary to make a distinction between purchases that are input in production of government services and purchases from market producers that are delivered as benefits in kind.

Missing data should be available in mission 2.2.A planned to take place in August. A final estimate of government investment in research and development may not be available until the mission 2.1.B in September in which case it will need to be entered into the calculation of CFC when it is ready.

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. It is interrelated to subcomponent 2.1. In the May mission it was 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, and detailed accounting information on the cost structure within general government from the Ministry of Finance.

Within the present mission some time was used for a presentation of an Excel-framework for new SUTs. The actual data in the example was taken from Danish SUTs. A Georgian SUT-framework will not have the same dimensions, but the example should give an idea on how products, industries, consumption groups and value levels can be defined. In the mission belonging to subcomponent 2.2 in August it is planned to make the necessary decisions on these matters.

While the August mission is primarily devoted to the compilation of the new comprehensive system of SUTs, it is, however considered appropriate to use part of the mission to follow up on the work belonging to subcomponent 2.1 that is planned to take place between the missions.

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.

3. Conclusions and recommendations

- To reach the goal of publishing new SNA2008 / NACE rev.2 based NA-figures by November 2019 during the present mission the Danish experts together with staff from Geostat drew up plans for solutions to the outstanding issues.
- The plan with its action points and deadlines listed below must be followed closely if success is to be achieved.
- Especially the processing of the SBS has a very high priority. The result will determine whether a full implementation of the new system before November 2019 is realistic, or whether it will be necessary to use a simpler method of conversion

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

Action	Deadline	Responsible person
Process the SBS-data as agreed with data error corrections and implementation of proper variable definitions and exchange a first version of data for the years 2015-2017 with the Danish experts	15 th July	GEOSTAT
Make compilations of changes in inventories in the new calculation framework where the sources are SBS opening and closing stocks and PPI, CPI and construction price indices	1 st August	GEOSTAT
Construct a system for calculation of the distribution of production of Insurance services on Intermediate Consumption and Household Final Consumption Expenditure	1 st August	GEOSTAT
Construct a system for calculation of the distribution of FISIM on Intermediate	Before the September-mission	GEOSTAT



Consumption and Household Final Consumption Expenditure		
Try to obtain more data from the Ministry of Finance for GFCF distributed by type of Capital formation and by COFOG. Exchange the data with the Danish Experts who will provide a compilation framework for Consumption of fixed capital needed for Government production and Consumption. The borderline between purchases used as government input and purchases from market producers used for social benefits in kind should be decided.	1 st August	GEOSTAT / Statistics Denmark

Annex 1. Terms of Reference

Terms of Reference

EU Twinning Project GE 16 ENI ST 06 18

24-28 June 2019

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

Sub-component 2.1: Compilation methods of National Accounts and New Products

Mandatory results and benchmarks for sub-component 2.1:

- Compilation methods of National Accounts improved and new products implemented

Indicators of Achievement:

- Recommendations on revision according to SNA 2008 and availability of estimation methods of the GDP components
- Preparation of methodological documentation for selected topics

Activity 2.1.A:

1. Purpose of the activity

- Update and further assessment of the current situation
- General discussions regarding the transition to SNA2008.
- Follow-up on the transformation of NACE, rev.1 to NACE, rev.2
- Problematic issues in the transition will be identified, prioritized and worked on. The work will be coordinated with work done by GEOSTAT.

2. Expected output of the activity

- The dimensions of a new SUT-framework is presented and discussed
- Discussion performed and decisions made of the role of SBS-statistics as the basis for the new SUT and the SNA2008 transition
- Problematic issues regarding FISIM are followed up upon
- Estimation of owner-occupied dwellings output and Government non-market output.
- Estimation of individual and collective government expenditures.
- The transformation of NACE, rev.1 to NACE, rev.2 has been discussed.
- Work to be done before next mission and issues to be addressed on the next mission has been identified.
- Input provided to the ToR of next activity
- Mission report written

3. Participants

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All staff members of National Accounts Department

MS experts

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Annex 2. Persons met

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