

# **Adapted Global Assessment of the National Statistical System of Georgia**

**Final Version**

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## **PREFACE**

The Global Assessment of the National System of Official Statistics of Georgia was jointly undertaken in the frame of the EU-funded project on ‘Global assessments of statistical systems of candidate and potential candidate countries as well as ENP countries’ by the European Commission (Eurostat), the European Free Trade Association (EFTA), and the United Nations Economic Commission for Europe (UNECE). ICON-INSTITUT Public Sector GmbH, under contract with Eurostat, was responsible for organising all activities and tasks relating to the AGA. The assessment process was initiated in response to a request made by the National Statistics Office of Georgia (Geostat) to Eurostat in November 2011.

The assessment is based on an extensive review performed during two assessment missions with the objective to describe and analyse institutional and organisational aspects of Geostat including the compliance of Georgian official statistics with international and European standards, norms and recommendations. The first mission took place during 24–28 September 2012. The assessing team included Mr Peter Hackl (former Director General of Statistics Austria) as the leading expert and Mr Michael Hughes (various top management responsibilities, ONS) as well as Ms Siv-Irene Pedersen (Eurostat), Ms Anu Peltola (UNECE), and Mr Jan Byfuglien (Statistics Norway / EFTA). The second mission took place on 4-6 Dec 2012 in order to complete the final assessment report and draw conclusions. Mr Peter Hackl, Mr Michael Hughes, Ms Siv-Irene Pedersen, and Ms Anu Peltola participated in this second mission.

The missions were prepared through replies to the questionnaire sent out in advance to Geostat, covering all relevant institutional, organisational and technical aspects, as well as practical issues. A large number of documents and some specially written material were made available by Geostat in advance or during the visits. Many experts from Geostat at national and territorial level, representatives from relevant ministries, the National Bank of Georgia, and other national and international stakeholders were met, partly in parallel meetings.

The Assessment Team very much appreciates the well-prepared visits and the open communication both with the staff of Geostat and with the representatives from other partners and stakeholders. We hope that the Assessment will benefit the further development of the National System of Official Statistics of Georgia.

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## EXECUTIVE SUMMARY

1. The goal of the Adapted Global Assessment (AGA) of the National System of Official Statistics of Georgia is to evaluate the level of conformity vis-à-vis European standards, incorporating the UN Fundamental Principles of Official Statistics, the European Statistics Code of Practice, as well as the Eurostat Statistical Requirements Compendium. The AGA aims at supporting the improvement of the National Statistics Office of Georgia (Geostat) and the alignment of the national statistical system of Georgia with international and European recommendations and best practices.
2. The detailed objectives of the AGA were as follows:
  - To assess the compliance of the statistical production and data as provided by Geostat with European standards, norms and recommendations, as well as the administrative capacity of the country in the field of statistics.
  - To assess the institutional aspects of Geostat and its technical and organisational capacity to produce and disseminate official statistics in all relevant areas.
  - To assess the compliance of the statistical production in selected statistical domains with the European statistical legislation.
  - To prepare recommendations for improvements for Geostat to enhance its capacities and output and for defining fields of co-operation within future technical assistance programmes of international organisations and other cooperation partners.
3. In the course of the changes which followed the achievement of independence in 1991, in particular implied by the Law of Georgia on Official Statistics (LGOS) enacted in 2009, the statistical system of Georgia had the chance and necessity to develop into a modern statistical system. Although much progress has been achieved and Geostat has both competent and engaged experts and a top management with excellent communicative skills and open-mindedness with respect to future challenges and potentials, Geostat still has problems to solve on the way towards a professional and highly competent institution, in particular with respect to the infrastructural environment such as quality of sampling frames, accommodation, and staffing, but as well as legislation.
4. The Assessment Team was satisfied that, as a legal entity of public law (LEPL), Geostat is independent in Georgian Law, reporting directly to Parliament. It was concerned, however, that this situation might leave the Executive Director exposed to strong political influence on administrative matters, particularly in budget negotiations. It is therefore recommended that consideration should be given to placing Geostat for administrative purposes under the umbrella of a sponsoring department in a manner that does not compromise professional integrity.
5. The reporting lines for Geostat and the Board are not clear-cut. On some matters, Geostat is accountable directly to Parliament, but on other matters it has to submit material to the President's Office for approval. To protect Geostat's independence, it is recommended that Geostat reports directly to Parliament on all matters.

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6. Several aspects of the appointment procedures for the Executive Director and other Board members were considered unsatisfactory by the Assessment Team.
- Nominations for the five non-public servant posts on the Board, from which the Executive Director is selected, are made by the Office of the President of Georgia; the Assessment Team consider this to be a political process which compromises the principle of an independent statistical office.
  - Applicants for these five posts do not need to commit themselves to be considered for the Executive Director position; it is therefore necessary for the President's Office to undertake some prior negotiation with the candidates to ensure it has an effective nominee for the Executive Director post; again, this is regarded as a political and non-independent selection process.
  - The three government officials on the Board come from departments pre-ordained in the Law, have unlimited tenure and are approved by the President, these could all be construed as political measures, which undermine Geostat's independence.
  - As a management board, the Geostat Board should be able to hold the Executive Director accountable; however, combining the Executive Director and Board Chairman positions prevents this; this is regarded as poor governance.
  - The Executive Director and other Board members all have non-renewable, four years appointments; this will lead to a significant loss of continuity and expertise in the top management of Geostat every four years and this should be avoided.

To address these concerns, it is recommended that:

- The Executive Director and Board Chairman positions should be separated.
  - The Executive Director should be recruited by a separate procedure distinct from that used for the selection of other Board members, under open and independently managed competition which takes due account of professional competence. The Executive Director will be a Board member.
  - The four non-public servant Board members should be nominated under open and independent competition; the Board Chairman should be selected from these nominees by the same selection panel; all these nominations should be approved by Parliament.
  - The three government officials on the Board should be selected from across all departments producing official statistics and should be approved by Parliament; they should be given appointments of varying lengths up to five years to ensure regular renewal of Board members.
  - The Executive Director should be given a five years appointment, renewable once by agreement of the Board.
  - The Board Chairman should have a fixed five years appointment; other non-public servant Board members should be given appointments of varying lengths up to five years to ensure regular renewal of Board members.
7. The cursory statement at *Article 14.4* of the Law that the Executive Director '*may be dismissed by the President*', without any clarification, compromises the professional independence of the Executive Director. It is highly recommended that the terms under which the Executive Director could be dismissed are outlined in the same way

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as the basis for dismissal of the other Board members. These cannot include reasons compromising the professional and scientific independence of Geostat.

8. Although Geostat is currently producing an annual work programme setting out the statistical products it expects to produce and disseminate in the year, it is recommended that Geostat in addition produces a multi-year statistical work programme, extending the time horizon of the programme to include all outputs over a five year period including statistical and IT development work. This programme should be expanded in due course to include the outputs of all official statistics producers.
9. The Law gives Geostat the mandate to collect data from administrations, enterprises and individuals. However, it does not provide for mandatory return of questionnaires from enterprises, a requirement which existed in the old law and a practice that the National Bank of Georgia enjoys for its statistical enquiries. The non-compulsory nature of Geostat's business enquiries requires Geostat to devote considerable resources to chasing reluctant respondents, which is inefficient. It does not seem to be reasonable that the National Bank can have mandatory returns of enterprise enquiries, but the same rule does not apply to Geostat. It is recommended that this be remedied.
10. Although the Law provides protection of confidentiality of personal data (both enterprises and individuals) no guidelines are in place to advise Geostat staff on the handling of confidential data, and awareness for the needs to protect confidentiality in the office is not at the desired level. It is recommended that:
  - Guidelines on the handling of confidential data should be produced for all staff in the office.
  - All staff should complete a signed declaration that they have read and understood the guidelines. This process should be renewed periodically).
11. *Articles 7.1 and 16.2* of the Law collectively give Geostat the role of coordinating and overseeing official statistics in Georgia. There is no satisfactory definition of official statistics, however, and the constituents of the official statistics system are not well established. There was no evidence that Geostat is pursuing the requirement to establish the official statistics system, nor that all the existing official statistics producers had understood the concept. It is recommended that:
  - Geostat sets up a committee with known official statistics producers to develop a working definition of official statistics for Georgia, to establish and maintain in the annual statistical programme a list of all producers of official statistics and to develop the unified policy required in the legislation to sustain a coordinated statistical system.
  - To assist in the development of the official statistics system, Geostat should extend the scope of its annual statistical programme to include the work of all official statistics producers. It should also develop a common release calendar for all producers of official statistics and an internet portal for the first release of all official statistics.
  - The European Statistics Code of Practice or an adapted version of it should be used to promote a unified coordinated system of official statistics in Georgia.

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12. The head office is situated in two locations; the office in Tskneti is quite far from Tbilisi centre. This puts a strain on the staff who have to commute, as well as making it difficult to hold meetings with data providers and other stakeholders. It is recommended that Geostat works towards relocating the office in Tskneti to the head office within central Tbilisi.
  13. The Assessment Team has severe doubts that the Board can operate effectively given the wide range of detailed tasks expected of it. It is recommended that a Statistical Council be created to support the Board and Executive Director on professional and technical issues, freeing up Board time to oversee the management of Geostat operational and financial matters. Consideration should also be given to the payment of the Board members in order to secure the necessary commitment.
  14. Based on the tasks of the regional offices and the development towards more electronic data collection, Geostat should reconsider the number and the role of the regional offices.
  15. With respect to the organisation of Geostat, the Assessment Team further recommends that Geostat takes into consideration the following points:
    - To make the internal communication between management and staff more efficient, a Geostat intranet would be a useful tool.
    - Geostat should develop a forum for involving the staff in major decisions and developments.
    - There is no flexibility between the accounts in the budget which makes it difficult to accommodate changing needs. There should be more flexibility both concerning salaries and concerning moving funds between the accounts.
    - The Central Office is organised by the Executive Director according to the competence of the deputy directors and not necessarily according to professional needs. It is recommended that Geostat reviews its organisation in order to ensure better coordination between related areas.
  16. Geostat does not operate a quality management system; quality control is limited to certain checks on data accuracy. Also, Geostat has no formalised approach to consulting users on their requirements, neither in government departments nor in the non-government sectors. The Assessment Team welcomes the programme with Statistics Sweden to develop quality indicators, but these will still be limited measures of accuracy. Geostat needs to adopt a Quality Management Framework and it is recommended that a joint Quality and Methodology Unit be established.
  17. A central element of a quality management system is user orientation. User groups are excellent for providing feedback from users and investigating user needs. Geostat still has a strong need to improve its dialogue with users in order to improve its public image and trust in its statistical products and to increase the usage and understanding of official statistics. Thus the implementation of working groups for different statistical domains is highly recommended. A procedure to consult users on a regular basis has also been an issue in the IMF Report on Observance of Standards and Codes (ROSC). A user satisfaction survey may also be considered to this end.
  18. The Assessment Team welcomes the trial of electronic data collection. Experience from other offices introducing this technology shows that moving away from the ‘stovepipe’ approach of statistical production (the current Geostat position) brings

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major changes in the working methods for the production staff concerned. The associated cultural changes should not be under-estimated. It is recommended that the development of electronic data collection should continue and that Geostat should undertake a review of the implications of electronic data collection for all Geostat operations, including those in the regional offices. The staff should be fully engaged in this review to gain their commitment to the changes.

19. Much work has been done in organising IT both inside the office and for dissemination. The work on the corresponding projects should continue and be finalised within the deadlines set in the Strategy for the Development of Statistics (SDS) 2011-2014.
20. It seems that a variety of software packages is used within the statistical divisions. The standardisation of the software environment is an ongoing process and should be continued, particularly in the statistical divisions, to increase efficiency of the IT support and the training of staff.
21. The Assessment Team is seriously concerned about the staff stability which is threatened by short contracts, the location of the head office in Tskneti, and a low wage level. Moreover, the overall level of human and financial resources is not sufficient for an office like Geostat with many statistical development tasks and the intention to build a modern statistical system in Georgia following international and European standards and best practice. Geostat should be supported in finding feasible solutions for the evident shortage of resources and for other threats to staff stability like poor or unhealthy working conditions.
22. A system for the description of staff competence and the assessment of staff performance is under development. This will provide the basis for an appraisal system, providing feedback to the individual staff members on his or her performance. The Assessment Team welcomes this initiative. Such a system will also enable rationalisation of the process for awarding bonuses.
23. The offer of both internal and international training opportunities to the staff seems to have high quality and will result in improvement of the competence of staff members and the capacity of the statistical divisions of Geostat. A special introductory programme should be developed for new staff members and put regularly on the training calendar. Training in English is highly recommended to enable staff to read international documents and to communicate with international experts.
24. Geostat has a good legal basis for dissemination and has implemented best practice concerning equal access to all users and an advance release calendar, which is being followed. It is noted that Geostat has improved its website and that it is active in relation to the media by numerous press releases and quite a number of press conferences. Further development of the website, especially by more flexible and richer possibilities for data extraction by users, which is planned, is highly welcomed.
25. The development of a document on dissemination policy and practices, including a revision policy, will be useful in order to ensure a common approach and standards in this field. It appears to be necessary to strengthen the central dissemination function which now has limited resources and tasks. This would result in a better coordinated corporate profile of press releases and products, especially when



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disseminated on the web and when developing new dissemination databases. The differentiation between free-of-charge and paid services appears not to be clear to all users.

26. The trust in Geostat and the confidence in its statistical products seem to have grown considerably during the last two years. However, important parts of the Georgian society are still to be convinced of the independence and reliability of Geostat and of the quality of the statistical products. Concerns have been expressed in meetings with representatives of academia, the mass media, and international organisations. It is recommended that Geostat takes all possible measures to build trust, for example by establishing an independent Statistical Council and by efficiently implementing the user-producer dialogue.
27. The implementation of a new software basis for the business register and the use of administrative data from the Revenue Service have improved the coverage and content of the business register considerably. Nevertheless, much effort is still necessary to achieve a satisfactory status of the business register and to grant the quality necessary, for example of a sampling frame for business surveys. The large amount of non-active enterprises is a considerable problem for using the business register, and it is recommended that a procedure for improving identification of non-active enterprises is implemented.
28. As Geostat has no methodological unit and, as it seems, no experts who could get engaged in developing further the methodological framework, for example of unemployment rates, it is highly recommended to start cooperation with an academic expert. A critical review of the existing production process and measures should be the first task in order to remedy all known deficiencies. Such cooperation can also be seen as a measure of trust-building in the public.
29. The procedure of assignment of NACE codes to enterprises does not seem to guarantee that the NACE codes fit the activities of the enterprises. It is recommended to redesign the assignment of NACE codes to enterprises. The development of the national version of NACE Rev. 2 should be a priority for the near future. The stepwise transition from NACE Rev. 1.1 to NACE Rev. 2 throughout all divisions of Geostat has to be planned carefully. The transition plan has to include measures implied by the changed NACE classifications such as parallel-estimating and back-casting. The quality and the timeliness especially of birth and death data has improved, mainly due to a more efficient data collection system, based on electronic reporting. However, a major quality problem is related to the total population estimate as this is based on the 2002 census adjusted by natural growth and migration data. The quality of these data is difficult to assess and to adjust. It is suggested by users that the population estimate might be far too high (+250 000), and that this could result in incorrect per capita figures, for instance, for birth rates and death rates. It is highly recommended that Geostat takes concrete and strong actions in order to get access to the micro-data on migration from the Ministry of Internal Affairs. The forthcoming population census should be used for establishing a population register.
30. It was noted that the population census had been under preparation for several years. The census was originally planned for 2010 and most of the operations seem to be well prepared, not least by using advanced GIS tools. However, the Assessment Team was informed that the census had been postponed and scheduled for 2014.

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One of the reasons given was the national elections in 2012 and 2013 although a distance of six months or more should be sufficient to secure the professional independence of the census process. An even stronger argument is that there is an urgent need for actual and reliable census results, both by users and by producers of official statistics; the use of out-dated census results significantly impacts on the quality of related products like the per capita GDP or birth and death rates. It is of major importance and priority that the decision on the census is taken as soon as possible and that the census is conducted in 2014 at the latest.

31. A lack of trust in Geostat's unemployment rates has been expressed by various users and representatives of institutions. This fact may indicate a negative public perception of the work of Geostat in general and is an alarming signal. Improving trust in Geostat's unemployment rates is therefore a major challenge for the near future. Transparency of the methods used, including comprehensive documentation of the estimation of unemployment rates on the website, is required. Also, remedies must be found for deficiencies in the sampling frame of the Integrated Household Survey, and the statistical process, for example the overloaded questionnaires.
32. National accounts statistics are compiled based on the SNA 1993. GDP estimates by production and expenditure are compiled annually and quarterly; volume measures of GDP are available only by the production approach. Supply and use tables and annual input / output tables are compiled. As already stated in the IMF ROSC from 2011, a number of shortcomings of the available data sources are a handicap for estimating the NA indicators and balances. This applies, in particular to the coverage of some activities within the Georgian economy such as trade, construction, and activities of individual entrepreneurs the estimation of intermediate consumption is problematic. Balance sheets for institutional sectors of the economy are not available at present and if resources allow, balance sheets for institutional sectors of the economy should be established, with the government sector as priority, and for households and private, non-commercial organisations serving households, non-financial corporations, and financial corporations at a later stage.
33. Geostat produces two price indices, a consumer price index (CPI) and a producer price index (PPI); in addition, Geostat participates in the International Comparison Program (ICP) 2012. The CPI has been produced by Geostat since 1992. The basket is revised annually for minor changes, mainly based on information from the Integrated Household Survey. In addition to problems with the Integrated Household Survey as mentioned above, this concept implies that changes over 12 months in prices cannot be distinguished from changes in the basket. A chain-link using both baskets for one or two months would solve this issue. There are no plans for a regular, systematic approach to major revisions of the basket, and such a plan should be developed. From various sides a lack of trust in the CPI values and the inflation rate was noted, which seems to be similar to the situation for unemployment rates. A rather limited presentation of CPIs on the website and a partial description of the methodological basis may contribute to that. Measures like those suggested for the unemployment rates should also have highest priority for the CPI. The IMF Report on Observance of Standards and Codes (ROSC) gives various hints on weaknesses with respect to relevance, scope, source data, statistical methods and metadata accessibility, which should be considered as well.

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34. The Business Statistics Division of Geostat produces annually various economic indicators based on quarterly and annual business surveys. Recently, also a monthly growth indicator has also been estimated, based on VAT data from the Revenue Service. Key short-term statistics are urgently needed for economic policy-making in Georgia, including monthly or quarterly time series on industrial production, output in construction, retail trade and other services. As the quality of data from the business surveys depends on the quality of the business register it is recommended that the economic census planned for 2014 will be conducted. Equally important is the recommendation that mandatory reporting by enterprises is enacted by amendment of the Law (the recommendation at paragraph 9).
  35. Agricultural statistics as published by Geostat are based on five surveys which are conducted every year. Unfortunately, the quality of the farm register, the sampling frame of these surveys, is based on the agricultural census from 2004 and admittedly not very good so that the quality of agricultural statistics is negatively affected. The next census is scheduled for 2014 and should under no circumstances be conducted later than 2014. A closer cooperation with users, in particular with the Ministry of Agriculture, can be expected to be very helpful and is highly recommended.
  36. If resources permit, Geostat should pay more attention to the development of multi-domain statistics, in line with the outcome document of the United Nations Conference on Sustainable Development (Rio +20) which stresses the importance of having good statistics for measuring sustainable development, environment, energy and climate aspects.
  37. The possibilities of improving statistics describing the service sector and producing comprehensive tourism statistics according to international guidelines should be reviewed. This should cover both supply and demand: domestic production of touristic services starting from the current hotel statistics, and purchase by residents of touristic services in the country and abroad.

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# **1 LEGAL BASIS**

## **1.1 THE LAW OF GEORGIA ON OFFICIAL STATISTICS**

### ***1.1.1 Background***

38. Although there were some statistical activities in Georgia in the period of independence in the early twentieth century, focusing on land and agriculture, the development of statistics as an important function of government really only began after independence in 1991. Prior to this date, statistical activities in Georgia were based on Soviet standards and methodologies, directed from Moscow and designed to meet the needs of a centrally planned economy.
39. After the collapse of the Soviet Union, there was an immediate need to make fundamental changes to statistical methods as well as developing alternative sources of data. In particular, it was important to develop methods and indicators relevant to the emerging market economy. In the first five years after independence, the statistical activities in Georgia were carried out by a dedicated Committee as part of the Supreme Council, and a Law on Statistics was introduced as the legal basis for these activities. A temporary commission was set up in 1996 to review statistical activities and, as a result, a new Law on Statistics was adopted in 1997 and the State Department of Statistics was established. In 2004, this Department was merged with the Ministry of Economic Development and, until 2010, was a subordinated body of the Ministry.

### ***1.1.2 Scope of the Law***

40. In December 2009 a new Law of Georgia on Official Statistics (LGOS) was enacted. The aim of the new Law is to ensure the production of independent, objective and reliable statistics based on internationally recognised basic principles of statistics. To achieve this objective, the new Law established the National Statistics Office of Georgia (Geostat) as a legal entity of public law (LEPL) to take over the responsibilities of the Department for Statistics.
41. Under the new Law, Geostat is tasked with developing a unified policy for compiling official statistics throughout Georgia, preparing and delivering a programme of statistical production, and disseminating the results in an impartial manner.
42. The new Law also introduced a Management Board to oversee Geostat's work instead of Geostat reporting to Ministers, thus bestowing considerable professional independence on Geostat. The Board is made up of three senior officials from user departments, five non-public servant members, and chaired by the Executive Director of Geostat.

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## 1.2 ASSESSMENT STANDARDS

43. The assessment of the Law of Georgia on Official Statistics is made according to the UN Fundamental Principles of Official Statistics (adopted by the UNECE in 1992 and at the global level by the UN Statistical Commission in 1994) and the European Statistics Code of Practice (adopted by the Statistical Programme Committee – now the European Statistical System Committee – of the European Statistical System in 2005, revised in 2011).
44. Impartial and reliable statistical data of high quality, that are accessible to its citizens on equal grounds, are widely considered as a prerequisite for a democratic society and as a necessary condition for the smooth and sustainable running of a competitive market economy. The responsibility for providing this statistical information according to internationally accepted concepts and methods, including the protection of the confidentiality of individual information collected for statistical purposes, should rest entirely with the system of official statistics. This is the core function of modern statistical systems, which should also provide the information in an efficient and cost-effective way, i.e. coordinating the statistical activities amongst producers of official statistics and ensuring a good communication with users by meeting their needs for statistical information.
45. The Law does not refer to the UN Fundamental Principles but specifies five basic principles of official statistics – professional independence, objectivity, reliability, confidentiality and efficiency – as the basis for official statistics. Most of the UN principles are covered in one way or another in the legislation. The following aspects are considered as essentials of a statistical law:
- Guarantee of professional independence for the producers of official statistics.
  - Mandate to collect and access data for statistical purposes.
  - Firm guarantee of statistical confidentiality.
  - Impartial dissemination of the statistical information produced.
46. Further important aspects that should also be laid down in the statistical law are the organisation and coordination of the statistical system (including the mandate of the statistical office); adoption of a multi-annual statistical programme by the relevant authorities; the role of a National Statistical Council and quality issues. Each of these aspects is discussed in detail in later chapters.

### *1.2.1 Protection of Professional Independence*

47. According to the UN Fundamental Principles of Official Statistics, as well as the European Statistics Code of Practice, the producers of official statistics should be professionally independent. The production of statistics should be policy-remote and decided solely on the basis of professional reasons. Otherwise, it is possible that influence could be used to manipulate the choice of statistical standards and methods and / or the dissemination of the statistical results. The statistical law should contain sufficient safeguards against all such interventions. Professionalism and independence are fundamental principles for the credibility of a statistical system; and the credibility of, and trust in, Geostat is of the highest importance.

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48. *Article 4* of the Law outlines five basic principles of official statistics on which Georgian official statistics should be based, of which the first, Professional Independence, states that ‘producing the statistics and disseminating the information derived as a result of producing the statistics shall be independent from the influence of political and/or interest groups’. More fundamentally, *Article 6* of the Law specifies the legal status of Geostat as a legal entity of public law (LEPL). A legal entity of public law is ‘an organisation separate from legislative and other governmental bodies and performs political, state, social, educational, cultural and other public activities independently under state control’.
49. This clearly indicates that Geostat is an independent government body in law, without direct control by a Ministry and, as the Assessment Team was told, reporting directly to Parliament. Whilst this degree of independence is welcomed in principle, it does raise questions of how Geostat is able to influence developments in, and the funding of, statistics outside the normal government procedures. This could place the Executive Director under undue pressure when addressing administrative and budget matters. The current Executive Director has sufficient experience to deal with such pressure but this may not necessarily be the case for his successor. The Assessment Team therefore considered that some other model, where Geostat would be placed under the responsibility of a government department for administrative purposes without surrender of professional independence, would provide safeguards against political pressures. For example, in some European countries the independent statistical office is subordinated to the Ministry of Finance for administrative purposes.
50. Linked to the previous point, the reporting lines for Geostat and the Board are inconsistent and seem confused. On some matters, Geostat is accountable directly to Parliament, for example for the annual report on Geostat performance. On other matters, it has to submit documents to the President’s Office for approval, for example the annual statistical work programme. There is no obvious rationale for these different arrangements, and reporting to the President’s Office on some matters could undermine Geostat’s professional independence. It is therefore recommended that Geostat should report directly to Parliament on all matters to protect its professional independence.
51. A further strand of the new Law that strengthens the professional independence is the creation of the management Board for Geostat, specified in *Article 11*. Membership of the Board comprises three senior government officials and five non-public servants, the latter all approved by Parliament, which should ensure a high degree of independence from political influence. Amongst the Board’s functions are approving Geostat’s work programme and its statistical standards and methodology, which should ensure these activities are safeguarded from political intervention.
52. The terms and conditions of service of the Geostat Executive Director and the other Board members are therefore a crucial factor in professional independence. It is a positive step that the terms of appointment and termination of these positions are referred to in the Law, but the Law is not clear-cut with regard to these matters. Moreover, there is considerable political intervention in the nomination / selection process by the President’s office in the current situation with the President of Georgia being in an executive position rather than a Head of State.

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53. *Article 11.3* of the Law specifies that the three senior government officials on the Board should be representatives of, respectively, the National Bank, the Ministry of Economic Development of Georgia and the Ministry of Finance; and *Article 12.1* indicates that the candidates for these positions should be approved by the President of Georgia. Moreover, these officials have unspecified length of tenure on the Board. These three departments are all major users of Geostat's data and the presence of their representatives on the Board in statute could be construed as a political measure to influence Geostat's work. Furthermore, approval of the officials by the President is a political process which conflicts with the independence principle. It would reduce perceptions of political interference greatly if the three government officials on the Board were selected on merit from across all departments producing official statistics and were approved by Parliament. This approach would also have the benefit of supporting the Board's responsibility to promote the system of official statistics to a wider public.
54. *Article 12.3* of the Law indicates that the five non-public servant members of the Board will be selected by Parliament among eight candidates nominated by the Office of the President, the latter again conflicting with the independence principle. Furthermore, *Article 8.2* of the Law specifies that the non-public servant members of the Board shall nominate the Executive Director (who will also act as the Chairman of the Board), but there is no statement in the Law about the appointment process. Instead, *Article 5* of the Geostat Charter states that the President of Georgia will appoint the Chairman, which is not in line with the independence principle. It is surprising that this crucial appointment is not submitted to Parliament for approval and the Assessment Team felt strongly that the Executive Director and the non-public servant Board positions should be recruited and appointed through open and independent competition.
55. The summary statement in *Article 14.4* of the Law that the Executive Director may be dismissed by the President of Georgia may potentially damage the trust in the independence of the position and of Geostat.
56. The requirement in *Article 8* of the Law that the Executive Director of Geostat shall also act as the Chairman of the Board does not undermine independence in itself, but there may be a strong perception that it does, thus reducing trust in the system. More significantly, it represents poor governance when the purpose of the Board is to exercise overall management of Geostat and the system of official statistics.
57. A further issue is the requirements in *Article 12* that all the non-public servant Board members serve only one four years term which is not renewable. Given that all the non-public servant members of the Board, including the Executive Director, were appointed around the same time, their departure at the same time will present a significant loss of continuity and expertise and will therefore, damage the effectiveness and credibility of the Board.

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## 58. Assessment

*The Assessment Team was satisfied that, as a legal entity of public law (LEPL), Geostat is independent in Georgian law, reporting directly to Parliament. It was concerned, however, that this situation may leave the Executive Director of Geostat exposed to strong political influence on administrative matters, particularly budget negotiations. It is therefore recommended that consideration should be given to placing Geostat under the responsibility of a government department for administrative purposes in a manner that does not compromise professional integrity.*

*The reporting lines for Geostat and the Board are not clear-cut. On some matters, Geostat is accountable directly to Parliament, but on other matters, it has to submit documents to the President's Office for approval. To protect Geostat's independence, it is recommended that Geostat reports directly to Parliament on all matters.*

*The Assessment Team felt there were several aspects of the appointment processes for the Executive Director and other Board members which should be changed, as follows:*

- *Nominations for the five non-public servant posts on the Board, from which the Executive Director is selected, are made by the Office of the President of Georgia. This is considered to be a political process which compromises the principle of an independent statistical office.*
- *Applicants for these five posts do not need to commit themselves to be considered for the Executive Director position. It is therefore necessary for the President's Office to undertake some prior negotiation with the candidates to ensure it has an effective nominee for the Executive Director post. Again, this is regarded as a political and non-independent selection process.*
- *The three government officials on the Board come from departments preordained in law, have unlimited tenure and are approved by the President; these could all be construed as political measures which undermine Geostat's independence.*
- *As a management board, the Geostat Board should be able to hold the Executive Director accountable. However, combining the position of the Executive Director and Board Chairman prevents this. This is regarded as poor governance.*
- *The Executive Director and other Board members all have fixed, non-renewable, four year appointments. This will lead to a significant loss of continuity and expertise in the top management of Geostat every four years and this should be avoided.*

*To address these concerns, it is recommended that:*

- *The Executive Director and Board Chairman positions should be separated.*
- *The Executive Director should be recruited by a separate procedure distinct from that used for the selection of other Board members, under open and*



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*independently managed competition which takes due account of professional competence. The Executive Director will be a Board member.*

- *Four non-public servant Board members should be nominated under open and independent competition. The Board Chairman should be selected from these nominees by the same selection panel. All these nominations should be approved by Parliament.*
- *The three government officials on the Board should be selected from across all departments producing official statistics and should be approved by Parliament; they should be given appointments of varying lengths up to five years to ensure regular renewal of Board members.*
- *The Executive Director should be given a five years appointment, renewable once by agreement of the Board.*
- *The Board Chairman should have a fixed five years appointment. Other non-public service Board members should be given appointments of varying lengths up to five years to ensure regular renewal of Board members.*

*The cursory statement in Article 14.4, that the Executive Director ‘may be dismissed by the President’, without any clarification, compromises the professional independence of the Executive Director. The terms under which the Executive Director could be dismissed should be outlined in the same way as the basis for dismissal of the other Board members. These cannot include reasons compromising professional or scientific independence of Geostat.*

*In general, having the statistical office defined as independent in law is a prerequisite to achieve independence in practice. It cannot be considered as a guarantee, however, and ultimately independence has to be demonstrated by Geostat and accepted by government and users. Geostat is still in its infancy, with a history of mistrust to overcome. The views expressed by users about trust during the mission were mixed. While the majority expressed improvements in Geostat’s independence, a sizeable minority was less sanguine that trust had increased.*

### **1.2.2 Mandate for Data Collection**

59. A statistical law should provide producers of official statistics with the right to decide the most appropriate way to acquire the necessary basic information for the compilation of their statistics from all data sources. Public organisations should be obliged to give access to administrative data for statistical purposes, and statistical units to provide the information needed.
60. *Article 25 of the Law sets out the obligation of all entities to provide statistical and other information to Geostat. Geostat is authorised to request and receive from administrative bodies and other physical and legal entities all the statistical and other information (including confidential information) from them necessary for carrying out its functions. Upon request, the administrative bodies shall be obliged to provide Geostat with the information on physical and private entities (including confidential information) available to them.*
61. Although administrative bodies are legally required to provide information to Geostat, there is no mandatory requirement for private enterprises and households to do the same and the Law provides no sanction for non-response from such entities.

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This is a change from the previous Law, which required mandatory return of questionnaires from enterprises and differs from the practice at the National Bank of Georgia, which enjoys mandatory return of questionnaires from the enterprises included in its statistical enquiries. The Assessment Team heard arguments that requiring mandatory return of questionnaires from enterprises would cause enterprises to falsify data. This is not the experience of European statistical offices. Moreover, given the logic checks applied to the data from statistical enquiries, it would take enterprises more time and effort to create false data that would pass the logic checks, than to provide the actual information.

## **62. Assessment**

*The Law gives Geostat the mandate to collect data from administrations, enterprises and individuals. However, it does not provide for mandatory return of questionnaires from enterprises, a requirement which existed in the old law and a practice that the National Bank of Georgia enjoys for its statistical enquiries. The non-compulsory nature of Geostat's business enquiries requires Geostat to devote considerable resources to chasing reluctant respondents which is inefficient. It does not seem reasonable that the National Bank can have mandatory returns of enterprise enquiries but not Geostat.*

### **1.2.3 Data Security and Statistical Confidentiality**

63. Statistical confidentiality is one of the most important principles of official statistics. In order to safeguard the trust of respondents, their data must not be used in individual form and in a context where individual decisions are taken. A possible exception is the use of such data for scientific purposes, but under very strict and restrictive conditions.
64. Confidentiality of statistical data is recognised in the Law, both as one of the basic principles on which official statistics are based and specifically in *Articles 28 and 29* of the Law, which cover the handling of confidential data. The Law defines data as confidential if it allows identification of an observation unit or it is possible to identify such data through it. *Article 28* indicates that confidential data shall not be issued or disseminated or used for a non-statistical purpose apart from exceptions envisaged by the Georgian legislation – the only exception in Georgian legislation being when ordered by a Court to provide the information.
65. *Article 29* of the Law sets out the obligations and responsibilities of Geostat employees in handling confidential data. The confidential data collected and processed for the compilation of official statistics shall not be used by Geostat employees for personal, academic, research or any other activities and Geostat units are obliged to secure dissemination of true statistical data. Violation of these principles by a Geostat member could lead to disciplinary measures imposed by the Executive Director, ranging from a warning to dismissal depending on the circumstances.
66. Geostat staff are not required to sign a legal confidentiality commitment when appointed and no instructions or special procedures exist within Geostat for the protection of confidential data.

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67. The Law makes no provision for access to statistical micro-data for research purposes and micro-data has only been provided to another authority as the result of a court order. The Board has, however, granted public access to an anonymised version of the Integrated Household Survey database.

**68. Assessment**

*Although the Law provides protection of confidentiality for personal data (both enterprises and individuals) no guidelines are in place to advise Geostat staff on the handling of confidential data and there is no culture of protecting confidentiality in the office. It is recommended that:*

- *Guidelines on the handling of confidential data should be produced for all staff in the office.*
- *All staff should complete a signed declaration that they have read and understood the guidelines, a process which should be renewed periodically.*

**1.2.4 Impartial Dissemination**

69. According to the UN Fundamental Principles and the European Statistics Code of Practice, dissemination is to be made on an impartial basis to honour the citizen's right to public information. Statistical offices have the responsibility to ensure that statistical results are made public. Pre-announcement of regular statistical releases is an important tool to guarantee technical autonomy in dissemination.
70. The impartiality standards applicable to Geostat are embodied in the principle of *Article 4.2* of the Law, which concerns Geostat disseminating information in compliance with international standards and practice. The specific details are included in the list of competencies of Geostat in *Article 7.1c* of the Law, where it states that Geostat should disseminate the statistical data in with regard to the set schedule and secure equal access to the statistical data for all the users.
71. Geostat produces and publishes a release calendar setting out the publication dates for all its statistics for the year, and a fixed time for released was introduced in November 2012.

**72. Assessment**

*Geostat conforms to best practice on impartial dissemination of statistics.*

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## 1.3 CENSUS RELATED LEGISLATION

### 1.3.1 Census of Population

73. Legislation relating to the Population Census in Georgia is embodied in *Chapter V* of the Law, with eight Articles (17-24) setting out the detailed arrangements. No separate legislation on the Census therefore exists. Moreover, it is planned to include an Agriculture Census in the 2014 Population Census and there is no separate legislation for an Agriculture Census.
74. The Assessment Team was initially concerned that the Chairman of the Census Commission was a government minister (*Article 21.4* of the Law), rather than this position being held by the Executive Director or another Geostat Board member. A priori, this appeared to compromise professional independence, but the Assessment Team were subsequently assured that the Committee coordinated departments' and municipalities' contributions to the operation of the census and had no responsibility for professional matters.

#### 75. Assessment

*Legislation on large surveys such as the population and housing census as well as the agriculture census should preferably be separated from the statistical law, especially with a view to ensure the necessary funding for the censuses via a specific piece of legislation. Moreover, in order to implement both censuses in the most appropriate way and according to European and international standards, it is recommendable to hold these two censuses separately, even though an additional need for financing arises in this case.*

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## 2 NATIONAL SYSTEM OF OFFICIAL STATISTICS

### 2.1 STRUCTURE OF THE NATIONAL STATISTICAL SYSTEM

76. A national system of official statistics can be defined as the ensemble of statistical bodies within a country that jointly collect, process and disseminate official statistics on behalf of the government. Ideally, activities performed by organisations or units producing official statistics should be governed by a national law on official statistics in compliance with the UN Fundamental Principles of Official Statistics and the European Statistics Code of Practice. The law should also consider the relationship of the national system of official statistics with data providers and users of statistics as it is essential for a well-functioning statistical system.
77. The Law of Georgia on Official Statistics (LGOS) defines the system responsible for official statistics in a rather oblique way. *Article 3.e* of the Law describes official statistics as ‘the system of statistical measures carried out within the statistical activity programme (sic – henceforth called programme) based on which statistical data of social, economic, demographic and environment conditions are acquired’. It goes on to define the conditions under which statistics produced by other administrative bodies can be called official statistics viz: ‘Statistical data produced in observance of the methodology and standards which are in line with their international analogues and are approved / recognised by the Board of Geostat.’
78. This definition leaves open the criteria for inclusion of statistics in the statistical activity programme and raises the question of why there are different criteria for the statistics produced by other administrative bodies. Definition of what constitutes an official statistic is not straight forward, invariably involves judgement and will vary from country to country. Geostat nevertheless needs to develop an effective general definition of official statistics to operate a unified official statistics system. The definition would usually include the criterion of the data being used publicly by government in support of decisions on policy, resource allocations or other topics of public interest.
79. Collectively, *Articles 15* and *16* of the Law indicate that the official statistics system comprises:
- The National Statistical Office (Geostat).
  - The National Bank of Georgia, which is recognised in the Law as a producer of official statistics with a function to produce the statistics in compliance with the international standards and methodology. Other administrative bodies producing official statistics, to include ‘state and local self-government bodies, legal entities of public law and other administrative bodies’.
80. *Article 15* of the Law of Georgia on Official Statistics (LGOS) identifies the fact that the Organic Law of Georgia on the National Bank of Georgia defines those official statistics which the National Bank is responsible for producing. These comprise Monetary and Financial Statistics, Balance of Payment Statistics, Foreign Debt Statistics, International Reserve Statistics, Exchange Rate Statistics and Interest Rate Statistics. *Article 15* indicates that the function of the National Bank is

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to produce the statistics in compliance with international standards and methodology but, interestingly, omits to mention that these statistics should be produced in compliance with LGOS.

81. The boundaries of the national statistical system are not clearly defined. It seemed that in addition to Geostat and the National Bank of Georgia, there are other departments, such as the Ministry of Finance, the Ministry of Labour, Health and Social Protection, the Ministry of Education and Science, the Ministry of Internal Affairs and the Supreme Court producing what they regarded as official statistics. See *Annex 5* for the list of producers of official statistics and their main activities.
82. A clear list of producers of official statistics is crucial for setting boundaries for processing unit-level data for statistical purposes. Unit-level data can be used or transmitted only for statistical purposes among producers of official statistics, not for administrative purposes. This, and the principle of professional independence of statistical production, requires the producers of official statistics to create a special organisational unit for the production of official statistics. Only this unit should be part of the national system of official statistics. The rest of the organisation, ministry or other public body, is not entitled to process or receive the unit-level data collected for statistical purposes and is, therefore, not part of the system of official statistics.
83. The special organisational unit is to be professionally independent and is expected to work in full compliance with the UN Fundamental Principles of Official Statistics and the principles of the European Statistics Code of Practice. The head of such a unit should be professionally independent from his / her superior. The unit also needs to be free of non-statistical activities that could create a conflict of interest with the above mentioned principles, confidentiality or impartiality. Currently, two out of the seven producers of official statistics (Ministry of Education and Ministry of Labour, Health and Social Protection) have a special organisational unit for statistics.
84. Producers of administrative data often compile statistics for their own purpose using data they have collected for managing their activities and the political goals of the government. For these statistics to be considered official, their production needs to be in line with the UN Fundamental Principles of Official Statistics and the principles of the European Statistics Code of Practice and should not reflect any administrative or political goals. Statistics produced only for the use of the producer organisation are not considered as official statistics.

## **85. Assessment**

*There is no satisfactory definition of official statistics and the constituents of the official statistics system are not well established. It is recommended that:*

- *Geostat establishes a list of all producers of official statistics and maintains it as part of the statistics activity programme. The list of producers of official statistics should be maintained at a level of organisational units instead of the level of organisations.*
- *Producers of official statistics should have a professionally independent unit for statistical production that works in full compliance with the UN Fundamental Principles of Official Statistics and the principles of the European Statistics Code of Practice and in coordination with Geostat. Any administrative-*

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*normative tasks of the statistical units should be moved to other organisational units.*

- *If owners of administrative data produce official statistics, these activities should be in line with the UN Fundamental Principles of Official Statistics and the principles of the European Statistics Code of Practice for them to be considered official statistics. Otherwise, these organisations will continue as data providers and work outside the statistical system.*

## **2.2 WORK PROGRAMMING AND COORDINATION MECHANISMS**

86. All national administrations have at least one organisation for which the production and dissemination of official statistics is the core task. This organisation, often called the National Statistical Office (NSO), Institute or Service, is also in charge of the coordination of the overall national system of official statistics.
87. *Article 7.1.a* of the Law states that Geostat should ‘work out a unified policy for the field of statistics and secure coordinated cooperation with its territorial units and other bodies producing statistics.’ This requirement is reinforced by *Article 16.2* which states that ‘Geostat shall secure coordinated work with the official statistics producing bodies and shall issue recommendations on the statistical standards and methodology necessary for producing the statistics.’ The Assessment Team interpreted these articles as giving Geostat the role of establishing and overseeing the official statistics system in Georgia. Providing leadership to the National Statistical System is not mentioned as a task of the Executive Director, however
88. A national law on statistics should ensure that a multi-annual statistical programme will be drawn up. This is currently not the case. The role of such a programme is to describe the scope of statistical activities during the next three to five years and set clear priorities. The programme should be adopted by the relevant authorities, similarly to the annual statistical programme, thus giving the programme the form of a political decision. The budgets needed to implement the programme shall also be part of the programme. The multi-annual statistical programme should be a tentative plan of action, whereas the detailed deliverables will be revised in every annual statistical programme. Updating of the multi-annual statistical programme could be done every year with the annual statistical programme. Geostat produced in 2011 a strategic plan entitled the Strategy for the Development of Statistics (SDS) covering the period 2011-2014. This is a good starting point for designing a multi-annual statistical programme.
89. There is no process in place for revising the strategy regularly or for informing stakeholders of the progress achieved. A Deputy Director is in charge of monitoring progress towards the strategy. The strategy provides the basis for reviewing priorities for drafting the annual statistical programme. The strategy was prepared in 2010-2011 in extensive consultation with the main stakeholders including Geostat staff, users within government, civil society organisations and the research community, other data producers, donors and some data providers, especially those within the business community. Geostat also organised a national workshop on the SDS on 25 May 2011.

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90. *Article 7* of the Law specifies that Geostat shall work out a statistical activity programme (sic), which is defined in the Law as ‘a long term annual plan’ that consists of the list of works to be carried out and their descriptions and implementers, source and instruments, the frequency of observation and dates of publishing. The Board has responsibility to review the statistical activity programme submitted by the Executive Director and to determine relevant recommendations for approval of the programme by the President of Georgia.
  91. The annual statistical programme for 2012 is limited to setting out all the statistical outputs to be produced over the year by Geostat, with associated dissemination dates. It contains neither budgetary information nor information on statistical and IT development work. It also does not embrace other official statistics producers. The programme is not consulted with other producers of official statistics or with any stakeholders other than Board members.
  92. Through discussion with representatives of the departments responsible for official statistics, it was clear that not all of the departments knew the detail of the new Law and, more fundamentally, some of them did not regard it as applying to them. Geostat has good working relationships with some producers of official statistics, including regular monthly meetings with the National Bank and the Ministry of Finance. Remedying the poor understanding of, and lack of commitment to, an official statistics system represents a significant challenge for Geostat. Geostat will need to work closely with other producers of official statistics to convince them of the rationale and utility of Georgia having an official statistics system. This was discussed during the meeting that the Assessment Team had with the producers of official statistics. All producers supported closer cooperation between statistics producers and welcomed Geostat’s coordination role.
  93. Measures assisting the promotion of the official statistical system include the development of a common release calendar for all official statistics and an internet portal for the first release of all official statistics. This recommendation was discussed in the meeting with the producers of official statistics.
  94. Geostat does not apply any Code of Practice to promote the use of the principles of official statistics by all producers of official statistics. It may be helpful to adopt such a Code (based on the European Statistics Code of Practice or an adapted version of it) as a national Code to clearly set out the requirements of the system of official statistics for all producers and to make it compulsory by all these producers to follow the principles of this Code.
  95. Geostat is already applying its coordination role in areas that require specific attention. For instance, Geostat has carried out a benchmarking exercise with the Ministry of Agriculture to improve coherence of statistics. The Ministry of Agriculture is not included in the list of producers of official statistics. Geostat does not systematically approve forms for producing official statistics, as laid down in *Article 2* of the Charter, but some Ministries share their data collection forms with Geostat. Furthermore, Geostat has created working groups to enhance statistical methodology for education statistics.



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96. Geostat currently has Memoranda of Understanding (MoU) or of cooperation (MoC) in place with the producers of official statistics listed in *Annex 5*. These MoUs aim to formalise cooperation where there are mutual responsibilities. They mainly regulate provision of data to Geostat and exchange of released statistics, and less frequently cover cooperation in or coordination of statistical production. The MoU with the Ministry of Finance has been established with their Revenue Service in charge of data provision to Geostat, but not with the units in charge of producing government finance and public debt statistics at the Ministry. The MoU and MoC established with the National Bank and the National Centre for Educational Quality Enhancement respectively deal also with cooperation in production of statistics and exchange of data. The latter organisation is not included in the list of producers of official statistics. MoUs are also in place with some universities, for instance, with the Ivane Javakhishvili Tbilisi State University, to agree among other issues about joint research work and organising internships for students.

## 97. Assessment

*Articles 7.1 and 16.2 of the Law collectively give Geostat the role of coordinating and overseeing an official statistics system in Georgia. There was no evidence that Geostat is pursuing the requirement to establish the official statistics system, nor that all the existing official statistics producers had understood the concept. It is recommended that:*

- *Geostat sets up a committee with known official statistics producers to develop a working definition of official statistics for Georgia, and to develop the unified policy required in the legislation to sustain a coordinated statistical system.*
- *To assist the development of the official statistics system, Geostat should extend the coverage of its annual statistical programme to record the work of all official statistics producers.*
- *Geostat establishes, with the committee, mechanisms for coordination of the production, collection and dissemination of official statistics in Georgia, including a common release calendar for all producers of official statistics and an internet portal for the first release of all official statistics.*
- *Geostat should adopt the European Statistics Code of Practice or produce an adapted version of this Code of Practice to set out the requirements of the official statistics system and to make the application of its principles obligatory for all producers of official statistics.*

*Most producers of official statistics are not fully aware that the Law on Official Statistics applies to them. Some articles of the Law refer to Geostat only, while they should refer to the national system of official statistics. This should be clarified in future revisions of the Law. The list of producers of official statistics should remain outside the Law, however, to ensure sufficient flexibility.*

*The annual statistical programme includes information on data sources and instruments. Methods and procedures for the collection, processing, storage and presentation of statistical data should be developed by the statistical agencies according to strictly professional considerations and hence this information about data sources and instruments should be removed from the annual statistical programme .*

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*It is recommended that Geostat produces a multi-annual statistical programme in addition to the annual statistical programme, extending the time horizons of the programme to include all activities over a five years period including statistical and IT development work. This programme should be expanded also to include all official statistics producers.*

## **2.3 DATA PROVIDERS**

98. The legal basis for data sharing is set out in the Law. Some other normative acts also set principles for data sharing. Data sharing among statistical authorities is mainly based on the annual statistical programme that mentions data sources to be used.
99. Geostat can access the data usually without problems with the support of the Law. According to the strategy for 2011-2014, Geostat aims at making more use of administrative data, where possible, and at reducing the respondent burden by making use of techniques such as on-line data capture where possible.
100. A large number of government offices provide Geostat with administrative data, collected for their respective area of administrative work. All these public authorities have a MoU with Geostat specifying the data to be provided and the frequency / timetable for supply. There is clearly good cooperation and strong relationships between Geostat and the government data providers. A list of the public data providers is provided in *Annex 6*.
101. Private organisations, enterprises and households are also important providers of data. The local architect offices and urban planning offices collect data for construction statistics and provide larger data sets on permissions granted for construction and completed objects. With the objectives to improve the quality of statistics, ensure access to relevant statistical information for the business sector and to gain support for data collection, Geostat has initiated closer cooperation with:
  - Business Association of Georgia
  - Association of Banks
  - Association of Pharmaceutical Companies
  - IT Business Council
  - Association of Developers of Georgia
  - Tourism Association
  - Wheat and Baking Industry Association

### **102. Assessment**

*Geostat applies in many cases well-developed methods, based on new technology, to access administrative data. This is important for timely access to source data and for efficiency of work.*

*Close cooperation with data providers is important for both Geostat and the government to help reduce response burden and avoid duplication of work. Representation of data providers in the Board of Geostat or a separate cooperation group with data providers would be useful. Geostat needs to be active in following*

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*up changes in registers that may affect data availability, and thus quality and timeliness of statistics.*

*Geostat should continue activities devoted to the use of administrative data sources as a replacement or a complementary source for surveys and as a tool to increase the quality of statistical registers. Introducing new administrative sources, where possible, requires careful analysis of suitability of the source for statistical production with regard to quality, coverage and available definitions and also development of new production methods tailored for administrative sources.*

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## 3 NATIONAL STATISTICAL SERVICE

### 3.1 ORGANISATION OF THE NATIONAL STATISTICAL SERVICE

103. The funding of the National Statistics Office of Georgia (Geostat) is based on the Law of Georgia on Official Statistics. According to *Chapter I, Article 6*, ‘Geostat is a legal entity of public law (LEPL) established for producing and disseminating the information.’
104. The Law and ‘The Charter of the National Statistics Office of Georgia’ regulate the legal relations within Geostat and define the rights and responsibilities within the national statistical system and the organisational principles of statistical activities.
105. According to The Charter of the National Statistics Office of Georgia, *Article 2, point 1*, the main objectives are:
- Work out a unified policy for the field of statistics and secure coordination with other bodies producing statistics.
  - Collect, process, maintain, analyse and disseminate data on social, demographic, economic and environmental situation of the country.
  - Prepare and introduce statistical standards and methodology, which are compatible with international standards.
  - Create and realise statistical classification systems.
  - Create and improve statistical databases, information banks and networks.
  - Create and approve statistical observance forms for producing official statistics.
  - Ensure confidentiality of statistical data collected for producing official statistics, if such data allows for identification of the observation unit, or if it is possible to identify such data through them.
  - Ensure provision of information for users of statistical data.
  - Conduct the census of the population.
  - Cooperate with national statistical services of other countries, international organisations and donors for establishing and sharing international practice and methodology in the field of statistics.

This is also mentioned in *Article 7* of the Law.

106. Geostat is organised directly under the President and is not subordinated to a government department.
107. Geostat consists of a Central Office and eight regional offices. The regional offices are subordinated to the Central Office.

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### 3.1.1 Organisation of the Central Office

108. The Central Office of Geostat is situated in Tskneti, which is some distance away from Tbilisi; another office is in the city centre of Tbilisi. The branch office in the city of Tbilisi shares a building with the regional Tbilisi Statistical Bureau of National Statistics of Georgia. The National Accounts Division and the Business Statistics are in the Tbilisi Office. Each of the Deputy Directors is supervisor of one of these two divisions.
109. Geostat is organised with an Executive Director at the top and two Deputy Directors. Four divisions are subordinated to the first Deputy Director, three divisions and the regional offices are subordinated to the second Deputy Director. Additionally, four divisions (Staff of Executive Director, Administrative Division, Information and Technology Division and Internal Audit Division) are directly subordinated to the Executive Director. Additionally, there is a managerial Board. The divisions lead by the Deputy Directors are organised according to the experience and competence of the Deputy Directors.
110. The cooperation between different divisions appears to be good and not much affected by the organisational structure. It is common to establish inter-divisional work groups in projects that involve more than one division.
111. Geostat is led by an Executive Director. The role of the Executive Director is defined by the Law of Georgia on Official Statistics, *Article 8* and *Chapter 3* in the Charter of the National Statistical Office:
  - The Executive Director is also the Chairman of the Board.
  - The Board nominates the Executive Director out of the five members who do not come from other Governmental institutions.
  - The Executive Director is appointed for one four years term, and can be dismissed by the President of Georgia. *Article 14* of the Law defines the basis for dismissing the Executive Director: *Point 4 of Article 14* just says: ‘The Executive Director may be dismissed by the President of Georgia.’
  - The Executive Director will have at least one Deputy Director, appointed and dismissed by the Executive Director. The deputy Director shall carry out the functions of the Executive Director in case of his / her absence.
  - The requirements set in Georgian Law on conflict of interest apply to the Executive Director.
112. The Executive Director has to have at least one Deputy Director, appointed – through open competition – and dismissed by the Executive Director. Geostat has currently two Deputy Directors. One of the Deputy Directors will carry out the functions of the Executive Director in case of his / her absence. Each of the Deputy Directors leads one of the two departments.

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113. The functions of the Executive Director are defined by the Law, *Article 8*, and *Chapter 3* in the Charter of the National Statistical Office:
- Lead Geostat.
  - Develop the statistical standards and methodology to be used in the course of carrying out statistical activities and submit them for approval to the Board of Geostat.
  - Develop the statistical activity programme and submit it to the Board. After Board discussions and approval, the statistical activity programme is sent via the Ministry of Finance for discussions and approval by the Parliament of Georgia.
  - Work out the methodology in compliance with the international standards for population census and submit it for approval to the Board.
  - Develop the population census programme and submit it for approval to the Governmental Coordination Commission for Census.
  - Develop the list of staff and salary funds, and submit them for approval to the Board.
  - Appoint and dismiss staff members of Geostat.
  - Work out the draft budget for Geostat according to the statistical activity programme.
  - Submit Geostat's annual progress report to the President of Georgia and the Parliament of Georgia.
  - Ensure publicity of Geostat's annual progress report approved by the Board.
  - Carry out other functions set out by the Charter and Georgian legislation.
  - The Executive Director is authorised to invite foreign or local experts on contractual basis in accordance with recommendations from the Board to ensure effective operation of Geostat.
114. The two Deputy Directors are appointed – since 2012 through open competition – by the Executive Director, who also has the right to dismiss the Deputy Directors for any reason. This means that the Deputy Directors potentially change when a change of the Executive Director happens. Hence, the fact that the Executive Director can only be in charge for one term of four years implies the potential for a complete change of the top management every four years, which might harm the continuity of operations at Geostat.
115. The Board of Geostat – see also *Section 1.2* – consists of seven members and a chairman. One of the members shall represent the National Bank of Georgia, one shall represent the Ministry of Economic Development and one shall represent the Ministry of Finance. The remaining five members shall not be public servants. The three first Board members are nominated by the managers of the relevant agencies. The President of Georgia nominates the remaining five (8 persons for five vacancies). The Parliament provides consent through a secret ballot to the President within 21 days. The candidates need to receive more than one third of the votes to be appointed. The members of the Board are appointed for four years and cannot be reappointed for two consecutive terms.

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116. The function of the Board of Geostat is to:

- Submit relevant recommendations regarding statistical activities of Geostat.
- Review the statistical activity programme submitted by the Executive Director of Geostat, and provide relevant recommendations.
- Review and approve the annual progress report submitted by the Executive Director of Geostat.
- Review the statistical standards and methodology to be used in the course of statistical activities, work out recommendations, and approve them, or accept international standards and methodology.
- Approve methodology that is in compliance with international standards for population census.
- Provide relevant recommendation for the population census programme.
- Review and approve the list of staff and salary funds of Geostat. The Board needs to approve the number of employees and any reorganisation of staff.
- Review the draft budget of Geostat and provide relevant recommendations.
- Provide and approve the charter of the Board and the decision making procedures.
- Other activities as defined in the present Law and the Charter of the Board.

117. In discussion with Geostat management on the Board's activities, the Assessment Team learned that some of the non-public servant Board members were finding their responsibilities unduly onerous, particularly having to comment on complex technical papers. Some Board members had also expressed the view that they should be remunerated for their time on Board activities. In many European countries, the Head of the National Statistical System gets advice on professional and technical issues from independent experts who are members of a Statistics Council. The Assessment Team felt that the creation of a Statistics Council should be considered as should financial remuneration for the non-public servant Board members.

118. Minutes from the meetings of the Board of Geostat are not publicly available.

### ***3.1.2 Organisation of Regional Offices***

119. Geostat has eight regional offices (Tbilisi, Batumi, Borjomi, Gori, Rustavi, Poti, Kutaisi and Telavi Division). The regional offices are a part of Geostat and are directly subordinated to the Central Office. The regional offices are under the supervision of one of the Deputy Directors. The regional offices act on behalf of Geostat.

120. Tbilisi Statistical Bureau of National Statistics Office of Georgia is the largest regional office with 21 permanent employees and 10 non-permanent employees. The other seven offices have 32 permanent staff in total. Additionally, the regional offices have enumerators. Some enumerators are more or less permanent; but the exact number of enumerators varies with running surveys.

121. Each regional office has a charter developed by the regional office and approved by the Executive Director. The head of each regional office is appointed by the

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Executive Director, while the staff and enumerators of the regional offices are nominated by the head of the regional office and decided and approved by the Executive Director. The appointment of the head of regional offices by the Executive Director of Geostat is important for the independence of the national statistical system. The Heads of the Regional Directors deal directly with the line divisions, and they are connected to the Central Office via internet.

122. The regional offices' main task is to collect and store data and provide information to users. They are responsible for implementing surveys, ensuring reliability, completeness, confidentiality, and quality of the data collected.
123. Due to the lack of mandatory response in surveys for the businesses, a large part of the resources is spent on convincing the businesses to deliver data.
124. Regional offices collaborate with regional authorities on behalf of Geostat. This collaboration consists of distributing official statistics from the Central Office. The regional offices do not provide confidential data to anybody.
125. Training for the staff in the regional offices is partly conducted in the regional offices and partly in Geostat's Central Office.

### ***3.1.3 IT: Infrastructure, Software, and Organisation***

126. The Information Technology Division is located within the Central Office of Geostat and is under the direct responsibility of the Executive Director. The Division has four permanent employees, nine contracted staff members and a varying number of periodically hired software developers.
127. The regional offices do not have their own IT staff; they depend on assistance from the IT division in the Central Office.
128. The main tasks of the IT Division are the management of the data servers, the development of survey management software, support of data collection and data processing, the maintenance of hardware, and the management of the Geostat website.
129. The IT Division runs the following internal projects:
  - Geostat Business Register: Unified Database and manual / semiautomatic data entry tools for all of Georgian business subjects (currently in development).
  - Geostat Person Register: Unified Database and manual / semiautomatic data entry tools to store information about physical persons (in projecting stage).
  - Geostat Dissemination Database: Unified Presentation database filled by statistical data and used for multiple purposes: NADA, PX-Web (see above), Geostat Android Platform Application for Data Dissemination (currently under development), Geostat Business Portal (currently under development), etc.
  - Online Questionnaires System: a universal questionnaire design system with several capabilities used by Geostat. The economic and agricultural statistics survey questionnaires are being implemented, while questionnaires for household surveys are in a planning stage.



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These projects include experts from all involved divisions. For a new project, an interdivisional working group is set up to ensure participation of and contribution from all relevant sides of the project.

130. The IT Division is also responsible for internal databases, such as a classification database and a separate database for each survey.

131. Hardware

- Geostat is covered by a Local Area Network (LAN), including the local offices. Tskneti office has wireless access.
- On the server side, there are nine servers (PDC, File Server, Proxy Server, Mail Server, Telephony Server, three Database Servers, and Data Storage server) in Tskneti office and one PDC in Tbilisi office.
- Geostat has a sufficient number of PCs for all employees.

132. Currently the following software packages are in use;

Internal Use Software:

- Operating Systems in Use: Windows XP, now it is planned to move onto Windows 7 platform
- Office Software: MS Office 2007 (Word, Excel, Access, etc.)
- Statistical Software: SPSS, STATA, in house developed applications (desktop and web based)
- ArcGIS ArcView 9.3 and ArcGIS arcinfo 9.3 for preparing census maps and thematic maps

Data Collection Software:

- Online Questionnaires Software, developed in Geostat, partly finished and partly under development
- Statistical Data Storage Software: MS SQL Server, Oracle

Statistical Data Analysis Software:

- SPSS, STATA
- Window based tools (Access, Excel)
- Some internal software (desktop and web based)

Data Dissemination Software:

- Via Geostat Official Website: Currently working
- International Household Survey Network Data Dissemination Software – NADA: Currently in development / translation to Georgian Stage.

Statistics Sweden Data Dissemination Software – PC-Axis:

- Currently planning to integrate into Geostat Data Dissemination System

The staff can chose the software of preference.

133. The IT Division contributes with IT resources to the GIS Division, especially concerning storage.

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134. Geostat is building a unified statistical database. This system consists of a survey database feeding into a central data store, and a presentation database extracting information from the central data store.
135. The survey database receives all data collected either manually or online. The online data collection will support two different questionnaires, one for businesses and one for households. These questionnaires will have primary quality controls. The questionnaires for businesses are developed and will be implemented in October 2012. The online data collection of questionnaires for individuals is in a planning stage, implementation is planned until October 2013. The data from these questionnaires goes through a firewall before entering the survey database. All other questionnaires go through data entry in the regional offices and into the survey database. The potential implications of adopting such technology are highly significant for the whole of the office.
136. The presentation database will generate three different dissemination tools, all presented by a business portal:
- Microdata will be provided via NADA Microdata Dissemination System, facilitated by NADA XML files. The English version is finalised, and the Georgian version is being developed. The plan is to launch NADA in the second half of 2013.
  - A flexible dissemination tool is planned, using PC Axis. PC Axis is in the planning stage, and no final deadline has yet been set. However, as PC Axis is part of the SIDA twinning project, the plan is to finalise it within the twinning project which itself is scheduled to complete in April 2014. One of the challenges is to create a Georgian version. There have been difficulties to use other alphabets than the Latin alphabet.
  - A data dissemination system for Android cell phones is almost finalised, and will be tested during October 2012.

### **137. Assessment**

*The Central Office is situated in two locations; the office in Tskneti is quite far from Tbilisi centre. This puts a strain on the staff having to commute, as well as making it difficult to hold meetings with data providers and other stakeholders. It is recommended that Geostat works towards only one office which is located within central Tbilisi.*

*The Central Office is organised by the Executive Director according to the competence of the Deputy Directors and not necessarily according to professional needs. It is recommended that Geostat reviews its organisation in order to ensure better coordination between related areas and to ensure efficiency and synergies.*

*As the Deputy Directors are appointed by the Executive Director, the Deputy Directors potentially change when a change of the Executive Director happens. Hence, the fact that the Executive Director can only be in charge for one term of four years implies the potential for a complete change of the top management every four years; this might harm the continuity of operations at Geostat. It is recommended that the Deputy Directors are hired in an independent process with*

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*terms that are non-concurrent with each other and with that of the Executive Director to ensure continuity.*

*The establishment of an advisory Statistical Council is recommended. This would provide support for the Board and the Executive Director in professional matters.*

*The members of the Board of Geostat have a number of tasks without being remunerated. Remuneration of the Board members should be considered.*

*Geostat and the Board of Geostat should consider publishing the minutes from the Board meetings on the Geostat website. This would increase transparency of the work of Geostat, and would also facilitate increased trust in Geostat's work.*

*Geostat is developing a strategy for transferring more and more of the data collection to online data collection, especially for businesses. The regional statistical offices spend most of their time on data collection and follow-up of businesses and ensuring as high a response rate as possible. Based on the tasks of the regional offices and the development towards more electronic data collection, Geostat should reconsider the number and the role of the regional offices.*

*Currently, Geostat does not have an intranet. An intranet is a useful tool for improving communication between management and staff, for providing training material to the staff, and for creating a more unified organisation.*

*The implementation of intranet is recommended in order to make the internal communication more efficient.*

*Much work has been done in organising IT both inside the office and for dissemination. The work is often organised as projects with interdivisional working groups. This ensures participation of subject matter experts as well as IT experts, which is vital for developing solutions that will work from both a technical side and from a professional side. The work on this should continue and be finalised within the deadlines.*

*It seems that a variety of software packages is used within the statistical divisions. Geostat should standardise the software, in particular the software used in the statistical divisions, to increase efficiency of the IT support and the training of staff.*

## **3.2 RESOURCE MANAGEMENT**

### **3.2.1 Finance and Budgeting**

138. According to *Article 10* in the Law on Georgia on Official Statistics, the sources of funding for Geostat are:

- The state budget of Georgia, on an annual basis, and in accordance with the Law of Georgia on the State Budget.
- Geostat charges for extra analyses provided. These fees amounted to about one per cent of the budget, and only covered by the additional costs of these analyses.
- Grants issued by a donor, as defined in *Article 3* of the Law of Georgia on Grants.

- Some other sources as allowed by Georgian legislation. Examples of this are loans and donations, for example cars received by the Ministry of Finance.
139. Geostat's budget is drafted by Geostat and then submitted by the Executive Director to the Board. After approval by the Board, the budget is sent to the Ministry of Finance and from there to the Parliament, where it is discussed and approved. The budget is discussed together with the annual statistical programme.
  140. The total budget in 2012 was GEL 4 643 000 (see Annex 3a). The total has been relatively stable the last three years (GEL 4 683 000 in 2010 and GEL 4 512 000 in 2011). The difference is that this sum in 2011 and 2012 also covered expenditures for the population census (GEL 126 000 in 2011 and GEL 241 000 in 2012).
  141. 96.9% of the total budget was covered by the state budget in 2012. This was a dramatic increase from 2010, when 68.6% of the total budget was covered by the state budget. The total amount of grants from foreign donors decreased from GEL 1 472 800 in 2010, to GEL 311 000 in 2011, to GEL 143 500 in 2012. The increase of funds from the state budget happened independently from the decrease of funds from international donors.
  142. All of the grants in 2012 were used to cover non-salary expenses. GEL 126 000 of the GEL 143 500 total grant budget provided by the donors were used to finance activities related to the population census. 52.3% of the amount dedicated to the population census came from grants provided by foreign donors, mainly the UN.
  143. The total annual budget in 2012 was GEL 100 000 per 100 000 population. It amounts to 0.02% of GDP in 2011.
  144. The scope for an increase in funds from the state budget in Georgia is dependent on Geostat's ability to convince the relevant budgetary authorities. If the argument for a new statistical product is well founded, then Geostat would be able to get more funds from the state budget.
  145. Geostat does not have much flexibility for altering the purpose of the funds.

#### **146. Assessment**

*The funds Geostat receives from the state budget had increased over the last few years. This has occurred at the same time as an unrelated decrease in funding from donors. Most of the assistance received from international donors is now technical assistance. The increase of funds from the state budget has reduced financial dependency on foreign donors.*

*Compared with other statistical offices in the region and in the European Union, Geostat appears underfinanced. If Geostat continues to apply more international and European standards for the production of statistics in key policy areas, more resources will be necessary, in particular with a view to the two censuses to be implemented in the coming years (the population census and the agriculture census). As a consequence, it is advisable that Geostat's budget should be increased over the next years.*

*Geostat has no independence on how the funds should be used the budget has been approved. Geostat should have more flexibility concerning payment of salaries and spending of unused funds on other statistical activities.*

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### 3.2.2 Staff, Recruitment, and Training

147. In 2011, the total number of persons employed on statistics was 213; 52 out of them work in the regional offices. Besides 149 permanent staff members, 64 temporary ('contract') staff were employed, some 30% of the total. In addition, 47 employees are hired by the Central Office to carry out specific activities, while 500 persons are recruited on short-terms assignments (mainly interviewers and survey supervisors) by the 8 regional branch offices. The largest unit was the Administrative Division to which 16.5% of the staff was assigned. The IT staff encompass three permanent and 13 contracted staff members. The number of staff has reduced by 9.4% since 2010. The reduction since 2006 was much higher but the Assessment Team could not get definitive information on that.
148. Women constituted 70% of the staff and occupy 21.7% of managerial posts (1 deputy director and 5 division heads or deputy). 94% and 6% of the staff members, had a master and a bachelor degree, respectively. Many staff members have degrees from private universities. However, the Assessment Team was informed that the qualification of persons with master and bachelor degrees awarded by private tertiary educational institutions is not comparable with academic degrees from public universities.
149. Salaries of Geostat staff are reportedly below the salaries elsewhere in the public sector. The salaries were considerably increased (by between 30% and 40%) in 2012 but the still rather low salaries run the risk of losing experienced staff. The yearly staff turnover is nevertheless moderate, for example 11.1% of the permanent staff in 2011.
150. In the self-assessment questionnaire (SAQ), the magnitude and quality of staff resources to meet current national statistics needs and to carry out the current statistical programme are assessed as being moderately adequate. In particular, the need of more qualified staff to improve the quality of Geostat's work is stressed for example the lack of human resources is considered to be the main obstacle for greater use of technology to improve the statistical processing.
151. The Assessment Team supports the recommendations of ROSC and SDS 2011-2014 to increase the number of staff and to reduce the gap in salaries compared to employees in other public organisations.
152. The staff recruitment procedure in statistics is regulated by the Law on Public Service, the Labour Code and specific rules about the process of contest. For a vacant position, an open contest is announced on the Geostat website as well as on specific public (including state) websites, to which all interested persons have access. The applicants are selected for further tests or interviews by the recruitment commission.
153. The Strategy for the Development of Statistics 2011-2014 proposes a limited increase in the number of professional and sub-professional staff as well as a reduction in the gap between the average salaries in Geostat and those for comparable staff in other government agencies. It is recognised, however, that the room for manoeuvre is limited by budget pressures. So the main driver of improvements in performance will have to be improving the efficiency of processes and making people more productive.

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154. The selection and appointment procedure for the Executive Director of Geostat is an issue of concern for the Assessment Team as it compromises the principle of an independent statistical office. Furthermore, the fact that the Executive Director may be dismissed by the President without any clarification compromises the professional independence of the Executive Director. See *Section 1.21 'Protection of Professional Independence'* for more information on these issues.
  155. A meeting with eight junior members of the Geostat staff gave the Assessment Team the impression of highly motivated and loyal employees. An issue of concern of all the young people is the remote location of the head office. Flexible work time would be welcomed uniformly. Many were not sure that they would still work for Geostat in five years time.
  156. The Assessment Team is seriously concerned about the staff stability which is threatened by short contracts, the location of the head office in Tskneti, and a low wage level. Geostat has to find feasible solutions for these issues and other threats to staff stability such as poor or unhealthy working conditions (at least according to EU standards).
  157. The development of human resources in Geostat is already discussed in the SDS 2011-2014. An overall staff development policy is not defined so far.
  158. The informal staff performance assessment conducted by division heads and the top management is not based on a specific documented form of assessment criteria and system. It is welcomed that a system for the description of staff competence and the assessment of staff performance is under development with the assistance of Statistics Sweden, including job descriptions and assessment criteria. This will allow the implementation of an appraisal system giving feedback to the individual staff members about his or her performance. Such a system will also enable rationalisation of the process for the awarding of bonuses.
  159. The training programme contains both internal and international training. Within the Millennium Challenge Georgia (MCG) Project, training in the use of computer programmes is offered; employees of Geostat attend trainings and seminars organised by the U.S. Agricultural Department, by Statistics Sweden, and by the Public Service Bureau. Line Divisions of Geostat periodically train and retrain interviewers. Various training and seminars are held within the framework of international cooperation in order to share experience and introduce international and European standards. A special introductory programme should be developed for new staff members and regularly included in the training calendar. Training in English is highly recommended to enable staff to read international documents and to enable them to communicate with international experts.
  160. The development of a comprehensive training programme, the provision of an appropriate budget, the publication of the annual training plan within Geostat, and the regulation of access to training for all staff members is highly recommended.

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## **161. Assessment**

*Actions in pursuit of ROSC Report (10/2011) and SDS 2011-2014 with respect to the increase in the number of staff and the reduction in the gap in salaries are recommended.*

*Compared with other statistical offices in the region and in the European Union, Geostat appears understaffed. In view of the many statistical development tasks that Geostat will face in the near future, it is advisable that Geostat's human resources increased over the next years. Furthermore, it is highly recommended Geostat find feasible solutions against threats to staff stability such as the location of the head office in Tskneti, short working contracts, the low wage level, and poor or unhealthy working conditions (at least at EU standards). The Assessment Team suggests considering the implementation of flexible working hours.*

*Staff satisfaction should be a highly relevant concern of the Geostat management. Resources permitting, measurements of staff satisfaction could be conducted regularly, for example by a bi-annual staff satisfaction survey in order to identify the most appropriate solutions to the rather challenging staff situation.*

*In pursuit of the SDS proposal for developing human resources, staff development policy should be developed and made public among the Geostat staff. As there is no formal representation of staff within Geostat it would also be advisable to develop a forum for involving the staff in major developments and decisions.*

*With the assistance of Statistics Sweden, a system for the description of staff competence and the assessment staff performance is under development. The system will provide the basis for an appraisal system providing feedback to the individual staff members about his or her performance. The development of this system should be a priority as such a system will also enable rationalisation of the process for awarding bonuses.*

*The offer of both internal and international training opportunities to the staff seems to have high quality and will result in improvement of the competence of staff members and the capacity of the statistical divisions of Geostat. A special introductory programme should be developed for new staff members and regularly included in the training calendar. Training in English is highly recommended to enable staff to read international documents and to communicate with international experts.*

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### 3.3 METHODOLOGICAL ISSUES AND QUALITY MANAGEMENT

#### 3.3.1 General

162. The Law specifies ‘reliability’ as one of the five basic principles of official statistics in Georgia and one of the goals in the Geostat mission statement is ‘to produce independent, objective and reliable statistics.’
163. There is no doubt that Geostat staff pay attention to the reliability and accuracy of the statistics they produce through the assessment of a combination of logic checks, response rates, sampling errors, consistency checks and professional judgement. Moreover, Geostat has undertaken extensive cooperation with international organisations to conform to international standards and methodologies. In this context, it places great store by undergoing the IMF’s Report on the Observance of Standards and Codes (ROSC). It is very notable, however, that the term ‘data quality’ does not appear explicitly in the Law or in the Geostat mission statement. Reliability is but just one of a large number of components in a total quality management system – other components of data quality include relevance, timeliness, accessibility, coherence and completeness – and reliability should not be regarded as a surrogate for quality. Whilst Geostat staff may take account of these other quality components on a piecemeal basis, Geostat does not have a quality management system and does not use the quality parameters of the European Statistical System (ESS) for monitoring the quality of statistical outputs. It was also apparent that there was no formalised structure for discussion with statistics users on their requirements.
164. The Methodology Division was disbanded in 2011 largely due to a shortage of qualified staff and methodological issues were delegated to line divisions. According to Geostat senior management, there has been no damaging effect from this change, but staff availability permitting, there is a strong case to have a central methodology unit to ensure, inter alia, consistency of methods, concepts, definitions and standards. In the meantime, a unit with four staff and reporting directly to the Executive Director has been created to deal with the quality of data collection. Geostat has also entered a three-year twinning project with Statistics Sweden with the aim of improving methodology across several domains. This project will introduce an embryo quality management system although this will focus only on accuracy and reliability indicators in the first place.

#### 3.3.2 Production processes

165. Quality control procedures are maintained along all the phases of the statistical production process, viz:

- Data collection;
- Data processing and analysis;
- Statistics dissemination.

Data collection is based on the legal provisions of the Law. To ensure the quality of primary data, the involvement of the reporting institutions is pursued, detailed



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reporting instructions and handbooks are delivered to the reporting institutions' contact persons, respondents are appointed for each specific statistical data submission, and training sessions and regular meetings are held with respondents. As reported in *Section 3.1*, the regional offices undertake these tasks. Data processing and analysis include data validation and editing in order to ensure conformity with international methodological frameworks. Quality dissemination means release in time according to a pre-announced schedule, clear and understandable presentation, regular meetings with media, and assistance to users.

#### **166. Assessment**

*Geostat does not operate a quality management system and quality control is limited to certain checks on data accuracy. Also, Geostat has no formalised approach to consulting users on their requirements, either in government departments or the non-government sectors. The Assessment Team welcomes the programme with Statistics Sweden to develop quality indicators, but these will still be limited measures of accuracy. Geostat needs to adopt a Quality Management Framework, and it is recommended that a joint Quality and Methodology Unit is established.*

*A central element of a quality management system is user orientation. User groups are an excellent means to get feedback from users and to investigate users' needs. Geostat still has a strong need to improve its dialogue with users in order to improve its public image and trust in its statistical products and to increase the usage and understanding of official statistics. Thus implementation of working groups for different statistical domains is highly recommended. A procedure to consult users on a regular basis has also been an issue in the IMF Report on Observance of Standards and Codes (ROSC). A user satisfaction survey should also be considered as soon as possible.*

*The Assessment Team welcomes the trial of electronic data collection and development of the concept of an integrated statistical production process. Experience from other offices introducing this technology shows that moving away from the 'stovepipe' approach of statistical production (the current Geostat position) brings major changes in working methods for the production staff concerned. The associated cultural changes needed should not be under-estimated. It is therefore recommended that before implementing electronic data collection across the office, Geostat should undertake a review of the implications of electronic data collection for all Geostat operations, including those in the Regional Offices. The staff should be fully engaged in this review to gain their commitment to the changes.*

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### 3.4 DISSEMINATION, COMMUNICATION AND RELATION WITH USERS

167. The Law of Georgia on Official Statistics provides a basis for proper dissemination with its reference to the basic principles of official statistics related to professional independence, objectivity, reliability, confidentiality and efficiency and reference to international standards and practices (*Article 4*).
168. *Article 7* of the Law describes the competences of Geostat in this respect as: ‘produce the schedule for promulgation of the statistical data and ensure its publicity’; and ‘disseminate the statistical data in observance of the schedule and secure the equal access to the statistical data for all the users.’
169. It is further specified in *Article 26* of the Law that statistical data shall be public except for the data that allows identification of the observation unit, and that statistical data, except the census statistical material (for which specific rules apply), shall be stored in hard copy until it is completely published and in electronic form – for 20 years.
170. In *Article 27* it is also written that for activities within the statistical programme users shall get statistical data in electronic form free of charge, whereas users, except administrative bodies, are charged for printed statistical publications.
171. Furthermore, in *Article 3, point d.e* of the Charter of the National Statistical Office of Georgia, it is stated that one of the functions of Geostat is to disseminate the statistical data in observance of the schedule published and secure the equal access to the statistical data for all users.
172. Statistical information is public and all users get access to it at the same time. Information is placed on the Geostat’s website and sent to main categories of users (media, government and NGOs) simultaneously. The Institute for Development of Freedom of Information (IDFI, local NGO who monitors performance of public institutions) awarded Geostat for transparency and easy available information on its website in 2011.
173. There are no special written procedures in order to prevent leaks. All divisions have instructions to prevent such practice. There has not been any case of leaks in recent years.
174. Preliminary figures are disseminated and marked as such.
175. In case of an error in published data, the corrected data is placed on the Geostat’s website, and users are informed via the website. In the meantime, the information is disseminated to the core users (representatives of the media, governmental and non-governmental organisations). There are no written rules that states how corrected data should be announced to users.
176. Geostat provides adapted, custom-designed analyses of statistical output. As a rule, these outputs do not become generally available.
177. Statistical tables are usually not accompanied by an explanation (explanation on how the statistics should be used, pointers to related statistical information, etc.).
178. A substantial part of official statistics produced according to the annual statistical programme is uploaded to the Geostat’s webpage.

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179. Information on methodologies used in statistical surveys is available on the Geostat website. If there are substantial changes in the methodologies used, the relevant information is always revised on the Geostat website.
  180. A release calendar is placed on the Geostat website at the beginning of every year. It comprises a detailed daily schedule of data publication. If a need arises, the relevant division applies to the Geostat management and asks to change the publication date. According to the management's decision, appropriate changes are made to the calendar. However, there are no written rules or procedures concerning the follow up of the release calendar. The Executive Director's staff are responsible for coordinating data dissemination issues with heads of line divisions.
  181. Divergences from the pre-announced calendar occur very rarely. If there is a delay in data publication, an explanation is placed on the relevant link of the Geostat's website. The information on the revised publication date is also provided.
  182. Until recently, there were no clear rules concerning release time and, generally, statistical information was disseminated in the first half of the day (up to 13:00). However, Geostat has now introduced the standard release time of 11:00 for all statistical releases.
  183. Geostat's price policy is approved by the Board of Geostat (Resolution #23, dated November 22, 2010). The prices of statistical data produced beyond the statistical activity programme and service tariffs of Geostat shall be calculated in line with *Item 3 of Article 27* of the Law. The calculation of tariffs is based on man-hour expenses. In addition, according to the Law, Geostat is allowed to conduct other private statistical surveys on the basis of service contracts and can get other economic benefits.
  184. Geostat strives to reach as many users as possible. Geostat's data are equally accessible to every user. For two years, Geostat has also been using social networks to disseminate information. The information about innovations and changes is placed on Geostat's Facebook page. At the same time, the mailing lists of core users (representatives of media, governmental and non-governmental organisations) are updated on a regular basis.
  185. Several steps have been taken in order to improve user dialogue and trust in official statistics. A survey was carried out to evaluate public awareness of Geostat; cooperation started with different business associations, where subject-oriented working meetings were initiated; an expert consultation working group was established in social statistics; the same cooperation started in the working format with various NGOs and universities. Geostat was awarded a special certificate from the Business Association of Georgia for successful cooperation with the business community in 2011.
  186. Any user can post his / her comments, concerns or recommendations on a forum at the Geostat's website. Geostat also has a hotline phone number.
  187. Geostat organises press conferences 6-7 times a year, with rather broad participation.
  188. No written procedures are available at present how to prioritise between different users. However, there are permanent consultations with different data users. During the work on the mid-term strategy, in order to identify users' needs, different data

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users were interviewed by an international consultant, while Geostat held a users' conference. The consultant's recommendations were taken into consideration during the drafting process of the strategy.

189. No separate customer / user satisfaction survey has been carried out.
190. From 2006 to 2010 Georgia participated in the IMF's General Data Dissemination System (GDDS). Though participation was voluntary, it required that the country undertook certain actions in compliance with the System. One of these requirements was preparation of metadata for dissemination on the IMF's Dissemination Standards Bulletin Board (DSBB).
191. Metadata for various fields (real sector, fiscal sector, financial sector, external sector, socio-demographic data) were prepared and posted on the DSBB. Thus, in 2006, the Department of Statistics (predecessor of Geostat) began to systematically develop, document and disseminate statistical metadata.
192. In May 2010 Georgia subscribed to the IMF's Special Data Dissemination Standard (SDDS). This standard sets higher demands on the quality of statistical data produced by the country's statistical system and requires more sophisticated presentation of the metadata. The metadata were prepared by the NSO in the DQAF (Data Quality Assessment Framework) format. The data are posted on the DSBB and on the Geostat's website as well.
193. It is worth emphasizing, however, that the metadata have been prepared only for those categories of data, which are presented in the National Summary Data Page of Georgia (national accounts, employment and unemployment, price statistics, merchandise trade statistics, population).
194. At present the Geostat has started the process of implementing the NADA (The National Data Archive) software. The latter is designed for cataloguing and dissemination of surveys, censuses or other micro-data documented in compliance with the DDI<sup>1</sup> (Data Documentation Initiative) and Dublin Core<sup>2</sup> metadata standards.
195. NADA is primarily designed for data producers using the DDI standard in developing countries to archive survey-related information. This can provide researchers with online access to these metadata and micro-data. Moreover, the application provides rich and fully searchable metadata.
196. With the assistance of PARIS21, a one-week training course for Geostat's staff was held in May 2012. The representatives of all subject divisions took part in the course. Though NADA was introduced to deal with social surveys (for example households, demography, health, etc.), Geostat has the intention to adapt it for economic statistics as well. During the course some methodological and technical problems were raised. It is intended to continue work on the implementation of the NADA, hold more training sessions, and introduce it in everyday practice.
197. Geostat has a broad dissemination programme through publications also. There are nine annual publications, of which the main one is the Statistical Yearbook

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<sup>1</sup> <http://www.ddialliance.org/>

<sup>2</sup> <http://www.dublincore.org/>

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(280 pages mainly with tables, no graphics and only some text in Georgian). Furthermore, there are four quarterly and three monthly ‘publications’. The number of publications printed, disseminated, and sold is rather limited, however. For instance, only 150 copies of the yearbook were printed. Almost no publications were sold in 2011.

198. The web site of Geostat is quite well developed (also the English version) containing an overview of the different statistical areas and products as well as access to documentation. However, the products available are sometimes rather limited in content and lacking explanation and presentation (text / graphics). Work is under way to improve the website, especially to implement a dissemination database based on PC-Axis. An Android platform has been developed which allows users, after having installing a free application tool, to download statistical results on their mobile phone.
199. In its strategic programme Geostat has discussed several issues related to improving the use of statistics: having an effective and clear dissemination policy; making the website more accessible and user-friendly; documenting activities and providing better access to metadata; developing and promoting the dialogue with users and improving customer services; providing better access to micro-data for research and further analysis,; having a clear, comprehensive and reasonable charging policy.

## **200. Assessment**

*Geostat has a good legal basis for dissemination and has implemented best practices concerning equal access to all users and an advance release calendar, which is being followed. It is noted that Geostat has improved its website and that it is also active in relation to the media with numerous press releases and quite a number of press conferences. Further development of the website, especially on more flexible and richer possibilities for data extraction by users, which is planned, is highly welcomed.*

*Geostat should develop a document on its dissemination policy including release time, error handling, design principles for graphics, etc. The user-friendliness of the access to data should be improved.*

*The development of a document on dissemination policy and practices will be useful in order to ensure a common approach and standard in this field. It appears to be necessary to strengthen the central dissemination function which now has limited resources and tasks. This would result in a better coordinated corporate profile of press releases and products disseminated, especially on the web and when developing new dissemination databases. The differentiation between free-of-charge and paid services appears not to be clear to all users and may not be the most efficient way of doing.*

*Implementation of a user satisfaction survey would be useful.*

*The trust in Geostat and the confidence in its statistical products seem to have grown considerably during the last two years. However, important parts of the Georgian society still are to be convinced of the independence and reliability of Geostat and of the quality of the statistical products; concerns have been expressed in meetings with representatives of academia, mass media, and international*

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*organisations. It is recommended that Geostat takes all measures to build trust, for example by establishing an independent Statistical Council and by efficiently implementing the user-producer dialogue.*

### **3.5 RELATIONS WITH SPECIAL USERS OF STATISTICAL INFORMATION**

201. As a relatively young NSI, Geostat needs to establish good relations with users in order to promote trust in the institution Geostat and in official statistics. This has to be seen against the background that important parts of the Georgian society still are to be convinced of the independence and reliability of Geostat and of the quality of the statistical products, that the demand for information expands, and that other providers will emerge to meet this need. Especially non-experienced users of statistics, including the media, civil society organisations and other groups, need some support in the use of statistics.
202. In the SDS, *Points 5.39-5.54*, a number of planned actions are described which should improve relations with users and the trust in and the use of statistics: a systematic dialogue with users; the development of customer services; a re-launch of the website, and the provision of metadata. According to Geostat, subject-oriented working meetings were organised: in social statistics, an expert consultation working group was established; a survey was carried out in order to evaluate the public awareness of Geostat.
203. Formal cooperation agreements exist in the form of memoranda with business associations, educational institutions, NGOs, the National Bank, the Ministry of Finance, and various public bodies. Geostat was awarded a special certificate from the Business Association of Georgia for successful cooperation with the business community in 2011.
204. In the SDS, *Point 3.20*, among other trust building actions, the plan is mentioned to measure the level of trust and satisfaction among users and taking action when concerns are identified. The implementation of such a tool could be useful.

#### **3.5.1 Relations with the Central and Local Government**

205. The Assessment Team met users from the central and local government. Most of them were quite happy with the data they got from Geostat and with the services provided. They raised no major issue concerning the coverage, the accuracy and the timeliness of the data. They also expressed trust in Geostat as a professional institution.
206. From this impression, based on a rather limited number of persons and institutions, one should not conclude that Geostat is without challenges in improving its electronic data dissemination and in training users, and especially journalists, in understanding and using statistics. This was also supported by the users.
207. The representatives from two ministries, however, mentioned cases when Geostat could not fulfil agreements about the provision of data or when cooperation offered to Geostat and helping to ease resource problems was not accepted, at least not in appropriate delays.

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### 3.5.2 Relations with Scientific Community

208. Geostat holds regular meetings with academia and students, has developed working relationships with experts, and formed working groups which include members of academia. For example, a price working group provided certain useful recommendations on CPI calculation.
209. Representatives from the scientific community confirmed a strong interest from their side to use statistics and to contribute to the development of official statistics.
- Several of them expressed satisfaction with the services provided by Geostat when searching for statistical information and documentation. Some also noted the usefulness of the HBS detailed database. However, they were looking forward to more flexible and better access to data.
  - Some of them expressed that there was a strong need for Geostat to improve its image as being independent and as an organisation providing high quality statistics. One issue was the postponement of the census, which was considered as not being well handled. Other issues mentioned were related to demographic data, labour market data (especially unemployment) and regional statistics (more or less missing).
210. Even if the existing MoUs provided some points of contacts, several users would welcome more active places of contacts, for instance, in subject matter user groups (demography, employment etc.), workshops / seminars etc. Improved contact of Geostat with the scientific community was also an issue brought up.

### 3.5.3 Relations with Mass Media

211. Representatives from the media expressed satisfaction with the calendar and the regularity of press conferences. They did not express any major concerns concerning the quality of data in their specific fields of interest (mainly economic indicators) and the principles followed in relation to dissemination.

#### 212. Assessment

*Activities of Geostat to establish good relations with users such as the organisation of subject-oriented working meetings and of an expert consultation working group in social statistics are welcomed; the same is true for a survey, carried out in order to evaluate the public awareness of Geostat.*

*It is recommended that the highest priority is allocated to the implementation of actions as planned in the SDS, Points 5.39-5.54, such as a systematic dialogue with users, a re-launch of the website, and the provision of metadata.*

*Although relations with the public administration seem to be very good in general, concerns as expressed by some representatives from the ministries should be taken seriously.*

*Geostat has developed good working relationships with academia including a MoU with the Tbilisi University. Nevertheless, several representatives of academia would welcome more active places of contacts, an issue also brought up by international organisations.*

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*The fact that representatives of academia expressed concerns about the image of Geostat as being independent and as an organisation providing high quality statistics should be addressed by Geostat through appropriate actions as mentioned in other parts of the report (change of the statistical law, changes in the organisational set-up, more metadata on the web, increased user-producer dialogue, etc.).*

*Geostat should develop a policy on how to deal with pre-releases, a main element being the publication of the recipients and other details of pre-release. This could form the basis of an impartiality protocol to be published on the website of Geostat.*

### **3.6 INTERNATIONAL CO-OPERATION**

213. According to the Law of Georgia on Official Statistics, *Article 5*, it is important for Geostat to cooperate with international organisations. The goal for international cooperation on statistics is to introduce international practice and methodology, and to share relevant experience based on agreements and treaties concluded with international organisation. It is also stated in the Charter, *Article 2, Point 1.j* that one of the main objectives for Geostat is to cooperate with national statistical services of other countries, international organisations and donors to establish and share international practice and methodology within statistics. The authority to invite foreign experts belongs to the Executive Director.
214. Participation of representatives from Geostat in international meetings and training is limited due to lack of funds dedicated to international cooperation and thus Geostat relies on resources provided by international donors for that purpose.
215. Geostat leads a Donor Coordination Group, a committee of current and potential donors that coordinates international assistance. This group is an important tool for utilising resources in an efficient way. Geostat also maintains a good overview of recent and current assistance, as well as areas of potential cooperation, based on Geostat's priorities.
216. Geostat has a twinning project with Statistics Sweden covering almost all areas of statistical work. This project is funded by SIDA, and runs from May 2011 until June 2014. The twinning project covers:
  - National Accounts
  - Price statistics (CPI and PPI)
  - Business statistics (Business register)
  - IT strategies
  - Statistical methodology
  - Management and HR issues

The twinning project has a resident advisor working in Geostat. The focus of the project is capacity building. The project includes 50 technical short term missions from and ten study visits to Statistics Sweden. There are annual meetings and progress reports twice a year.



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217. Geostat participated in the International Comparison Programme, round 2011.
  218. Geostat has received assistance on preparatory work for the population census from the Global Trust Fund for Statistical Capacity Building of the World Bank.
  219. Geostat implements several bilateral projects: With the World Bank on statistical strategy design and census preparation, with UNFPA on GIS map preparation, with IMF on ROSC, with Poland on National Accounts, with the Netherlands on the Integrated Household Survey, and with the Millennium Challenge Corporation on many areas.
  220. Geostat has cooperated closely with USDA on the agricultural statistics. USDA is involved in almost every stage of the agricultural survey, and all recommendations made by USDA experts are taken into consideration.
  221. International organisations have a good relationship with Geostat, both as donors / potential donors and users of statistics. However, many of the international organisations have concerns related to the independence of Geostat although the quality of the data has improved and the trust increased. A marked difference was noticed in 2010 through the implementation of the statistical law.

## **222. Assessment**

*There is a strong culture for international cooperation in Geostat. Geostat is in the driver's seat in this, and defines priorities for this cooperation. Currently, most of the assistance is technical assistance and less financial assistance. Geostat is also aware of the danger of dependency on foreign assistance.*

*There is a Donor Coordination Group led by Geostat with all donors and potential donors participating, which facilitates good communication with the donors. This prevents overlap, and facilitates good planning and good use of Geostat's resources.*

*Geostat has a good relationship with international organisations, both as donors and as users. This cooperation should be continued. Good communication is vital to restoring the trust in official statistics that was broken before the introduction of the new statistical law. So far Geostat has made some ground in restoring it.*

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## 4 STATISTICAL DOMAINS

### 4.1 REGISTERS AND CLASSIFICATIONS

223. Geostat maintains two registers for statistical purposes: a business register and a farm register. Both are updated with the help of various information sources (survey and administrative data), and are widely used in the statistical production. The statistical registers are mainly used as a sampling frame for surveys. They may also play a role in increasing cost-effectiveness and coherence of statistics by providing unified data, reducing the response burden by re-use of data, and integrating and cross-checking data from different sources.
224. Like in most countries, the national statistical office, Geostat, is the custodian of the national statistical classifications who will map the national classification extensions with the international classifications, the reference classifications that play an important role in standardising national and international communication of statistics.

#### 4.1.1 Registers

225. Statistical registers typically exist for population, business entities and sometimes for buildings and dwellings as well. Furthermore, business registers may include a farm register or a farm register may exist on its own. Geostat currently maintains two registers: the statistical business register and the farm register.

#### 4.1.2 Statistical business register

226. The statistical business register is in the responsibility of the Business Statistics Division. Seven staff members work on that.
227. Geostat uses a statistical business register as a sampling frame for various business surveys. The structure of the statistical business register was recently renewed, establishing a new database. It includes four levels of units: legal, local, enterprise and local kind-of-activity unit. The register contains about 566 000 legal units, out of which about 140 000 are active units and about 60 000 of them belong to the non-financial corporation's sector, which is used as a sampling frame for business surveys. After the developing phase, the register will offer full coverage of legal entities including small and medium sized enterprises. For each unit, information like a unique identification number (ID), contact information, the NACE code, the turnover, and the number of employees is available.
228. The statistical business register is updated from the following sources:
- A weekly, automatic update from the registration database of the National Agency of Public Registry (NAPR), responsible for the national administrative business register, with new registrations, changes in legal entities, and their closures.

- A monthly list of active business entities from the Revenue Service with on average about 6 000 units; the usefulness of these data is reduced by the fact that only 60% of the units contain a clear activity attribution and the contact information of the unit is not included in the database.
- Quarterly, information derived from various statistical surveys.

With both agencies, Memorandum of Understanding (MoU) on the provision of data has been agreed. From statistical surveys like the quarterly and annual business surveys, feedback is given which provides contact details and information on the economic activity of the surveyed entity. In case of unclear data, in particular for clarifying the appropriate NACE code, enterprises are contacted by telephone.

229. Technical improvements in the access to source data from administrative sources, already implemented in several areas, could help to improve the timeliness of statistical registers. Implementing automated access to source data requires also the parallel development of data checking methods. Such methods have to take into account that administrative data are not designed for statistical purposes and often do not comply with international statistical standards, concepts and classifications without systematic editing.
230. In the long run, the statistical business register should be developed towards an interactive register with effective update procedures. This means keeping the register up-to-date using several sources, including administrative data and information derived from other statistical surveys, and in the compilation of other official statistics.
231. The unique ID of the enterprises is generated by the NAPR. It assigns a 9-digit ID for legal entities and an 11-digit ID for physical persons. These IDs are used by most institutions, for example by the Revenue Service. For statistical purposes, Geostat assigns an additional 8-digit identification code to the units.
232. The statistical business register is mainly used for developing sampling frames, for example for the business and other surveys of the Business Statistics Division, for the survey on external economic activities of the External Trade and Foreign Investments Statistics Division as well as for several other surveys of various divisions including the National Accounts Division.
233. The quality of the business register has been an issue of concern and discussions in the past, in particular because of potential negative effects on results from surveys that use the business register as sampling frame. After the recent implementation of the new database and establishing a regular data flow from the sources which provide information for updates, the coverage of the business register seems to be improved. The portion of the non-observed economy in the estimates of the National Accounts Division decreased from more than 20% to about 15%, a fact that can be interpreted as an effect of the increased coverage of the business register. However, a number of issues need to be tackled to guarantee a satisfactory status and coverage of the business register and to avoid negative and unpredictable consequences for statistics which are obtained from surveys that use the business register as sampling frame.
  - An economic census as the basis for an update of the business register should be conducted as soon as possible. This was originally planned to be carried out by the end of 2014, but the timing is now uncertain.

- Additional sources for systematically updating the NACE code of enterprises are needed and the process of moving to NACE Rev. 2 should be accelerated.
- The large amount of non-active enterprises and of non-registered small enterprises is a considerable problem for using the business register; a procedure for cleaning the business register from non-active enterprises should be implemented.
- Rules for merging datasets from different sources should be developed which also include rules for dealing with conflicting data.

#### **4.1.3 Farm register**

234. The farm register was created based on the agricultural census in 2004. The register is used as a sampling frame for the survey of agricultural holdings. Currently, no unified identification number is available for farms; however, for legal units the 9-digit company legal code is used that is issued by the NAPR. The authority responsible for agricultural holdings in the farm register is the Agricultural and Environment Statistics Division of Geostat.
235. The update of the farm register is based on information from three sources:
- Face-to-face interviews conducted during the agricultural surveys.
  - Agricultural activities identified in the statistical business register.
  - New farm registrations from the Ministry of Agriculture, local municipal authorities, and Geostat regional offices.
236. The quality and timeliness of the farm register urgently requires improvements, particularly in order to avoid negative and unpredictable consequences for statistics which are obtained from surveys that use the farm register as sampling frame.
- An agricultural census as the basis for an update of the farm register should be conducted as soon as possible; the plan to carry an agricultural census out in 2014 is welcomed.
  - Closer cooperation with the Ministry of Agriculture and municipal authorities would help get up-to-date information about new and existing farms.
  - Furthermore, Geostat should investigate the feasibility of attaching the farm register to the statistical business register in order to simplify the work process.

#### **4.1.4 Statistical population register**

237. The existing register of identity cards of the Civil Registry Agency does not allow identification of persons by their place of residence. The Civil Registry Agency plans to create a population register and link it to other registers (including the address register, dwelling register, etc.) in its mid-term strategy. Georgia plans to carry out the population census in 2014. This data source could provide a basis for a future statistical population register which could be used as a sampling frame for household surveys and to improve the coherence of social statistics. Geostat should strongly promote the establishment of a population register in Georgia, and to make sure that this population register will take into account the needs of official statistics.

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It has to be kept in mind that establishing and maintaining a population register will be a large investment and may be feasible in the longer term only.

### **238. Assessment**

*It is not possible for Geostat to maintain good quality registers without full access to all kinds of relevant administrative data. Geostat has managed to get access to a number of important sources of administrative data. Geostat needs to continue these efforts to improve the cooperation with administrative data providers and to look for new useful administrative data sources.*

*The quality of the business register (completeness of coverage, accuracy of data) of a statistical office is crucial for the quality of related statistical products. The implementation of a new software basis for the business register and the use of administrative data from the Revenue Service have considerably improved the coverage and the content of the business register. Nevertheless, a large amount of non-active enterprises and of non-registered small enterprises is a considerable problem for using the business register. It is recommended to conduct as soon as possible an economic census as the basis for an update of the business register and to implement a procedure for cleaning the business register from non-active enterprises.*

*The quality of the farm register seems to need an improvement rather urgently, particularly in order to avoid negative and unpredictable consequences for statistics which are obtained from surveys that use the farm register as sampling frame. It is highly recommended that Geostat cooperates much closer with the Ministry of Agriculture and with municipal authorities; this would help to get up-to-date information on new and existing farms. Moreover, Geostat should investigate the feasibility of attaching the farm register to the statistical business register in order to simplify the work process.*

*It seems that administrative tasks, for example the registration of farms, are assigned to the operating of the farm register. In fulfilling such tasks Geostat does not comply with the UN Fundamental Principles of Official Statistics and the European Statistics Code of Practice. Such tasks should be completely removed from Geostat and assigned to the Ministry of Agriculture or some other administrative body.*

*Geostat should strongly promote the establishment of a population register which takes the needs of official statistics into account. Such a register could be the basis for a statistical population register that will be used as a sampling frame for household surveys and for improving the coherence of social statistics. Georgia plans to carry out the next population census in 2014. This data source could provide a basis for a future statistical population register.*

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#### 4.1.5 Classifications and Nomenclatures

239. Geostat applies a large number of European and international classifications across statistics; several were adapted to national versions. Among the classifications used by the national statistical system are:

- The Statistical Classification of Economic Activities in the European Community (NACE Rev. 1.1) including a national extension for the 5-digit level (GNC 001-2004) is used throughout economic and business statistics, prices, wages and agricultural statistics. The NACE classification is also widely used in the public administration in Georgia. The NACE classification was officially adopted by the Ministry of Economy in 2004.
- The Classification of Products by Activities (CPA 1996) is used as the adapted national version CPA 002-99.
- The Classifications of Individual Consumption by Purpose (COICOP) is used for statistics on household consumption (consumer prices, household survey).
- The Classification of the Functions of Governments (COFOG) is used for statistics on the government sector.
- The International Harmonised Commodity Description and Coding System (HS 2012) is used in foreign trade statistics at 6-digit level and its national extension, Commodity Nomenclature for External Economic Activities, is used in external trade statistics. The international classification is also used by the Revenue Service and the Service Agency of the Ministry of Internal Affairs.
- The Standard International Trade Classification (SITC, Rev. 2), the International Classification by Broad Economic Categories (BEC, Rev. 2), and the International Standard Country Classification are used in external trade statistics.
- The International Standard Classification of Occupations (ISCO-88) and the International Classification of Status on Employment (ICSE-93) form the basis for the National Classification of Occupation used in the household survey.
- The International Standard Classification of Education ISCED-97 of UNESCO is applied in education statistics.
- The International Statistical Classification of Diseases and Related Health Problems, 10<sup>th</sup> Revision, is used in Geostat and also in the Ministry of Labour, Health and Social Protection and in health care statistics.
- The International Standard Country Classification is extended by Geostat and functions as national classification across statistics. It is used also by Revenue Service, Service Agency of the Ministry of Internal Affairs.
- The National Classification of Administrative-territorial Units of Georgia, developed by Geostat, is used across statistical domains for displaying regional statistical information.

240. No legislation is in place for the adoption of international classifications and the adaptation of international classifications to national needs. . The extent to which Geostat can contribute to an adequate use of classifications in the national statistical system, among other producers of official statistics, and in administrative bodies is rather limited.

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241. Geostat has no organisational unit which is in charge of classifications. In most countries, a methodological unit has this task. Coherence in using classifications across the national statistical system is a crucial issue for comparability of related statistical results.
242. The assignment of NACE codes to legal units seems to be the task of Geostat. The procedure of assignment of NACE codes to enterprises seems not to guarantee that the NACE codes fit the activities of the enterprises. Moreover, no provision is made which adapts the NACE code of an enterprise to changing activities. Such revisions and updating are essential for the time consistency and the quality of statistics in the wider sense. The transition from NACE Rev. 1.1 to NACE Rev. 2 will be a good chance for updating the NACE codes of enterprises; the same applies to an economic census which should take place in the near future.
243. Notable time lag seems to exist between the adoption of new international classifications and their application in Georgia. The development of the national version of NACE Rev. 2 and its implementation in the statistical production should be accelerated. A working group on NACE has been created in late 2012, and the work will be advanced in cooperation with Statistics Sweden. The group activities are supported by Statistics Sweden in the framework of bilateral cooperation. Geostat plans to introduce new NACE rev. 2 in business register by 2014.
244. The stepwise transition from NACE Rev. 1.1 to NACE Rev. 2 throughout all divisions of Geostat has to be planned carefully and a timetable has to be agreed among all affected bodies including other producers of official statistics and users of the NACE codes. The transition plan has to cope with changes in data collections, adaptations in compilation practices. The information of the public has to include measures of changes implied by the changed NACE classifications like parallel-estimating and back-casting. Training in understanding and using NACE Rev. 2 should be offered, in particular to other producers of official statistics for whom it is relevant. The whole transition process is quite costly and Geostat has to take into account the necessary resource requirements.
245. The Geostat website offers only very limited information on classifications whereas links to all statistical classifications used by Geostat should be available. A classification database for current and previous versions of classifications as well as correspondence tables would support harmonised application of classifications in the national statistical system. Also metadata should be presented which explain the classifications and guide its use.

#### **246. Assessment**

*Geostat and the national statistical system of Georgia apply a large number of European and international classifications across statistics, among them NACE, CPA, COICOP, COFOG, etc., some in national adaptations.*

*The development of the national version of NACE Rev. 2 and its implementation in the statistical production should be accelerated. It is highly recommended to set up a precise plan including a timetable and cost-estimates for the transition from NACE Rev. 1.1 to NACE Rev.2 throughout all divisions of Geostat and all affected bodies including other producers of official statistics and users of the NACE codes. These measures have to assure the harmonised application of the old and new*

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*NACE classifications in the entire national statistical system. The information of the public has to include parallel-estimating and back-casting and training in using the NACE Rev. 2.*

*The Geostat website offers very limited information on classifications. It is recommended that Geostat develops a classification database for current and previous versions of classifications as well as correspondence tables available in order to support harmonised application of classifications in the national statistical system. Also metadata should be available which explain the classifications and guide its use.*

## **4.2 DEMOGRAPHIC AND SOCIAL STATISTICS**

### **4.2.1 Demographic Statistics**

247. The unit responsible for producing and disseminating vital statistics, and conducting population censuses is the Population Census and Demography Division, which consists of 18 people (nine people are responsible for vital statistics, of which six people are permanent staff and three people are employed on contractual basis).
248. A total population estimate for Georgia is computed annually, starting from the last, 2002 Population Census results, each year adding births, subtracting deaths data and using an adjusted estimation of net migration, provided by the Ministry of Internal Affairs. Concepts and definitions are based on UN recommendations. Users considered these estimates as possibly far too high, due to lack of registration of migration, especially emigration.
249. Primary data on births, deaths, marriages, divorces are collected by the Civil Registry Agency and submitted to the Geostat on quarterly basis. Starting from mid 2010 the system of data collection has been changed: all medical establishments are obliged by law to fill in electronically certificates of birth and death and submit them by the set deadline to the Civil Registry Agency. The arrangement with the Civil Registry works well and Geostat is planning to sign a memorandum of understanding to increase cooperation. It was confirmed that the definition of live births also follows the UN definition, which is not the case in other neighbouring countries.
250. Migration data is problematic, however. The Ministry of Internal Affairs collects data on border crossings and this information is used by Geostat. It is not possible, however, to identify people crossing borders by purpose of migration or destination country from this data source. A major problem is that Geostat does not get access to the micro-files on migration, which could help to improve these data. Primary data processing, data editing and cleaning is carried out using SPSS. Data dissemination is based on the annual statistical programme.
251. The dissemination date for annual vital statistics is 31 April. Data on population is available on 31 May (5 months after the end of the reporting year). The semi-annual vital statistics dissemination date is mid-September.
252. Definitions of main demographic terms are available on the Geostat website.



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253. It was mentioned that a State Commission on Migration Issues was established in 2010. It has several tasks, in particular the development of a migration strategy for the country which will include also improving the quality of official statistics on migration and integration of different existing administrative data sources. The draft Migration Strategy document is under development.

#### **254. Assessment**

*Geostat produces the main demographic indicators. The quality and the timeliness of especially birth data and death data has improved, mainly due to a more efficient data collection system, based on electronic reporting. The definitions are in line with UN definitions.*

*There is a major quality problem related to the total population estimate as this is based on the last census in 2002 adjusted by natural growth and migration data. However, Geostat is not getting access to the micro-files on migration from the Ministry of Internal Affairs. And thus the quality of these data is difficult to assess and adjust. It is indicated by users that the population estimate might be far too high (+250 000) and that this is more or less useless, also giving wrong per capita figures for instance for birth rates and death rates.*

*Geostat needs to take concrete and strong actions in order to get access to the micro-files on migration and to improve the integration between different sources in the field of demographic statistics, possibly in the direction of developing a population register, due to the importance of this area. The aforementioned State Commission on Migration Issues might be an important support for this task.*

*It was noted that there are still some problems with the completeness of data on causes of death, even if there has been some improvement during the last year.*

*In general there is a need to increase the professional demographic knowledge in order to elaborate a larger set of demographic indicators and analyses, also as a basis for population projections.*

#### **4.2.2 Population Census**

255. A pilot census was carried out in 2007 and a new full census was planned for 2010, but was later cancelled because of the political and financial problems encountered in 2008 and 2009. A new census is now planned for 2014, but up until now the Government has not given the formal approval or allocated the funds required for preparation yet. Some financial and technical support is being provided from the United Nations Population Fund (UNFPA) and this is being used to support the preparation of maps and household lists using a Geographic Information System (GIS).
256. For the census as originally planned for 2010, most of the operation seems to be well prepared, not least by using advanced GIS tools. However, the Assessment Team was informed that the census had been postponed. It was indicated that the census could take place in 2014, but the State Coordination Commission for the Census will approve the exact date. One reason given for delaying the census had been the elections in 2012 and 2013. However, this appears not to be a valid argument. A distance of six months or more should be sufficient to secure the

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professional independence of the census process. An even stronger argument is that there is an urgent need for actual and reliable census results, both by users and by producers of official statistics; the value of out-dated census results deteriorates tremendously and, in an unpredictable way, affects the quality of related products like the per capita GDP or birth and death rates. It is of major importance and priority that the decision on the census is taken as soon as possible and that the census is performed in 2014 at the latest.

257. A presentation of the census plans, including the census mapping, documented that planning was well taken care of:

- Based on UN principles and recommendations for population and housing censuses, (Series M #67/Rev. 2; Recommendations for the 2010 censuses of population and housing, UN, New York and Geneva, 2006) also related to the concept of resident population.
- Covering the full territory under jurisdiction of the country. Counting all households and their members.
- Using modern technologies – especially GIS for census mapping.
- Developed draft questionnaires and guidelines.
- Prepared largely the training of field workers and enumerators.
- Prepared and planned a provisional field organisation with 11 regional coordinators, 69 municipal supervisors, 275 sector supervisors, 2 200 local supervisors and 11 000 enumerators and in addition monitoring coordinators and supervisors.

#### **258. Assessment**

*It was noted that the population census had been under preparation for several years, that the census was based on UN principles and that planning was well taken care of. The reasons given for postponing the census which had created problems for the planning were linked to timing reasons of forthcoming elections. It is of major importance and priority that the decision on the census is taken as soon as possible and that the census is performed in 2014 at the latest. It is also highly recommended that the government provides the necessary funding in due time for the implementation of the population census in 2014.*

#### **4.2.3 Living Conditions Survey**

259. The main activity of the Social Statistics Division is to carry out, process and publish the results of an annual Integrated Household Survey (IHS) that is designed to collect data on income levels and expenditure of households as well as information on participation in the labour market. The data are used to compile and publish statistics on incomes, household expenditures, poverty rates, employment and unemployment.

260. The household survey is a major undertaking of Geostat, being carried out on a quarterly basis with a rotating sample, so that each selected household remains in the survey for one year, or four rounds.

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261. The survey faces a number of problems including a very long questionnaire of more than 70 pages and a relatively high level of non-response (around 20%), possibly somewhat concentrated in the higher and the lower income level. At the same time there are concerns over data quality and problems associated with data editing and imputation. Furthermore, much of the data are, as yet, not fully analysed and only a limited number of tables are published. The sampling frame, which is based on the 2002 population census is also becoming increasingly out of date, which is having a cumulative negative impact on data quality.
262. Medium-term objectives are to improve the quality of the data from the household survey, in part by improving the management of the field work, and to increase the value of the data by developing and extending the levels of analysis. Improving data quality should also support more comprehensive analysis. The data from the survey potentially can provide a lot of valuable information about the well-being and welfare of households in Georgia and about different kinds of households.
263. Since 2010 Geostat has implemented several positive changes regarding the quality of the Integrated Household Survey:
- Computerised data validation has been developed. The software application reveals the questionnaires with inconsistencies as well as the inconsistencies themselves. Before that inconsistencies were checked in a paper questionnaire prior to data entry.
  - Integrated Household Survey questionnaires were revised. As a result, some changes were made: one of the questionnaires (Shinda09) was eliminated, some of the questions of which were added or corrected to the other questionnaires (Shinda01, Shinda02 and Shinda05). At the same time, amendments were made in the field work method: since 2012 four interviews are now conducted instead of five (1 annual and 4 quarterly).
  - The design of the IHS database has been improved and the database description has been developed, as well as the description of the primary data aggregation procedures.
  - The compliance of the structure of expenditures of households with the Classification of Individual Consumption by Purpose (COICOP) has been ensured; the errors have been detected and eliminated.
  - Data on households' expenditures are derived from a quarterly questionnaire of expenditures, as well as from a weekly diary. The method of calculating the expenditures (expenditures taken from the quarterly questionnaire and / or from the diary) has been reviewed; errors have been detected and eliminated.
  - In 2011 all sampled primary sampling units (PSUs) were re-listed.
  - Indicators of reliability (confidence intervals, etc.) of the main statistical indicators have been calculated.
  - 2009, 2010 and 2011 databases of the IHS have been published on the Geostat website.
  - A short description of the methodology of calculating the main indicators of the labour market has been published on the Geostat website.

- An imputation methods on the periodic expenditures of households as well as the consumption, selling and money received from the sale of foodstuff produced by the households has been developed and implemented.
  - An improvement of the documentation and the metadata is under development.
264. Concepts and definitions follow the ‘Handbook of Household Surveys, UN, New York 1984’ and the concepts and definitions of the International Labour Organisation (13<sup>th</sup> International Conference of Labour Statisticians, 1982).
265. Scope: Distribution of household incomes; Distribution of household expenditures; Food consumption in the households; Inequality indicators; Economic status of population (employed and unemployed); Dwelling conditions etc.
266. In the survey the following classifications are applied:
- Classification of Individual Consumption by Purpose (COICOP).
  - National Classification of Economic Activities which is harmonised with the NACE (Rev. 1.1) at the class level.
  - National Classification of Occupation which is based on the International Standard Classification of Occupations – ISCO-88.
  - International Classification of Status on Employment (ICSE-93).
267. The survey is conducted each quarter and estimations are made on an annual basis at the end of May.
268. In the SDS there are several activities planned to improve the survey, and some of these activities are in the process of being implemented. However, the cornerstone of this work will be the census in 2014; so no quick solution can be found.

## **269. Assessment**

*The Integrated Household Survey is a large and resource demanding operation which appear to be well planned and organised. A problem is the old sampling frame based on the 2002 census results. Nevertheless, the response rate is around 80% and it was considered that a minor part of this was due to the fact that respondents were not found on the address.*

*There is a strong need to improve the quality of the Integrated Household Survey even though several improvement actions have been undertaken since 2010. As much of this improvement can only start after the planned 2014 census, this survey will suffer from major deficiencies for some years. It might be necessary to develop a specific development project with some methodological actions starting now.*

*A major challenge is the size and number of questionnaires, which is demanding for the respondents and also demanding for editing, control and dissemination. Thus, the impression is that the this large data source is not well utilised for the moment, neither in the form of tables, comments and analyses within Geostat, nor outside Geostat, even if some users might use the micro-files made available on the website.*

*Thus Geostat should evaluate the possibility to divide the IHS into a labour force survey and another living conditions survey in order to improve both labour market information and data on income distribution and living conditions. Improved*

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*utilisation and analyses of the IHS data is anyway necessary in order to make better use of this data source and also to better assess the quality of the survey.*

*There is a concern that there might be indirect identification of individuals in the micro-files available on the website depending on the variables still on the files. This issue should be further studied. Another issue is also whether these sample data can provide reliable figures when broken down for ten regions, an information available on the files.*

#### **4.2.4 Labour Market Statistics**

270. In the domain of labour market statistics Geostat produces annual employment and unemployment statistics and quarterly wage statistics. Unemployment and wage statistics are the responsibility of the Social Statistics Division and the Business Statistics Division, respectively. The main data sources for labour market statistics are (i) the Integrated Household Survey, resulting in indicators of economical activity of the population, employment and unemployment, and (ii) the Business Survey and the Data on Labour Survey, resulting in statistics on wages.
271. The focus of the labour market statistics is on the economically active (employed and unemployed) and inactive population. Areas like demand and supply of labour force, labour costs, labour conditions, working times, staff mobility, structure of earnings, vocational training, the quantitative and qualitative composition of civil servants, and related labour market characteristics are not covered for the time being. Future needs of labour market statistics should be discussed with users. A user group on social statistics would be appropriate for this and should be established.

#### **4.2.5 Employment and unemployment statistics**

272. The number of field staff working on the Integrated Household Survey is 92 interviewers, 12 regional supervisors for the interviewers, and 18 employees in the head office.
273. The data on employment and unemployment are compiled in accordance with the NACE Rev. 1.1 at the class level, with the Classification of Occupation ISCO-88, and with the International Classification of Employment ICSE-93.
274. The Integrated Household Survey provides quarterly information on the size of the economically active (employed and unemployed) and inactive population with breakdowns by socio-economic characteristics. The methodology is based on the concepts and definitions of the International Labour Organisation (13<sup>th</sup> International Conference of Labour Statisticians, 29 December, 1982). The sampling frame is based on the 2002 population census. The sampling units, i.e. the households, are randomly chosen according to a regionally stratified random design. Each household stays for 12 months within the sample and is visited four times. 3400 households are in the sample every quarter. Participation is voluntary; in 2010, the participation rate of households was 74.0% in urban areas and 84.9% in rural areas. In 2011, the participation rate of households was 77.2% in urban areas and 87.0% in rural areas.

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275. In many countries, data from administrative sources are efficiently used for labour market statistics. Unfortunately, appropriate administrative data seem not to be available in Georgia.
276. Labour market statistics are published annually in press-releases, on the Geostat website and in annual publications: Statistical Yearbook, Labour Market in Georgia, Households in Georgia, Men and Women. Since January 2010, Geostat has subscribed to the IMF SDDS: the indicators for employment and unemployment, and also for wages are published on the SDDS website. Georgia is using flexibility options on periodicity and timeliness for the employment and unemployment statistics.
277. Indicators of employment and unemployment are released in May (147-149 days) after the reference year. The indicators presented on the (English) Geostat website are figures and .pdf files showing the same data which can be downloaded. Excel tables which allow the user to work directly with the data are also available. The range of available data is very limited. The website in Georgian could be more informative.
278. Unemployment statistics are published only annually although the Integrated Household Survey is conducted quarterly with a sample size of nearly 3 400 households. Geostat argues that the quality of the quarterly estimated unemployment rates is unsatisfactory because of the low sample size. Given the sample size of nearly 3 400 households and even with a response rate of only 70-75% it could be advisable to re-consider this issue. Quarterly employment and unemployment statistics, in particular the unemployment rates should be published as soon as possible as they are highly demanded, and Geostat should also consider the publication of monthly indicators in the short to medium term.
279. Deficiencies of and problems with the Integrated Household Survey are in detail discussed in the *Section 4.23 'Living Conditions Survey'*. The sampling frame, now based on the 2002 census, should be improved, and a specific labour force survey should be implemented separately from the Integrated Household Survey in order to improve information about the labour market. Further problems which might cause bad quality of statistics are the mixing of the status unemployed and self-employed, an issue of training the interviewers, and the possible overestimates of the population, leading to underestimates of, for example, unemployment rates.
280. Given the political importance of the unemployment rates and the role of these data as a flagship product for Geostat, Geostat should do its utmost to (i) assure the necessary and high quality of these statistics, (ii) produce quarterly statistics as soon as possible, and (iii) – the most important for gaining trust in the public – provide the public with a comprehensive documentation, available on the website, of the concepts behind the product, the production process, and the quality indicators which allow users assessing the relevance and the quality of the unemployment rates.
281. From various users and representatives of institutions, a lack of trust in the unemployment rates as published by Geostat has been expressed. This fact, however, may indicate a negative public perception of the work of Geostat in general and may not be related to the specific indicator. Improving trust in Geostat's unemployment rates should have a very high priority. Total transparency of methods (see the point above) is absolutely necessary, and for deficiencies in prerequisites,

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for example in the sampling frame, and process, for example, overloaded questionnaire, remedies must be found.

282. As Geostat has no methodological unit and, as it seems, no expert in methodological issues of labour market statistics, seeking an academic expert with whom cooperation in such issues could be started might be a feasible option. A critical review of the existing production process and measures to remedy all deficiencies should be the first task of such cooperation. The development of the methodological framework for a monthly unemployment rate could be another good case for such cooperation; regional breakdowns, for example, of the yearly unemployment rate could be another topic. Such cooperation can also be seen as a measure of trust-building in the public.
283. Methodological information offered on the website (in English) is very limited. The publication of comprehensive methodological explanatory notes on data collection, calculation methods, and reliability of labour market indicators would be useful and would help to avoid misunderstandings on the quality of the indicators. On the IMF website, some documentations and metadata of the indicators on employment, unemployment, and wages / earnings are provided. The statement made in the SDDS Metadata that documentation on concepts, scope, classifications, basis of recording, data sources, and statistical techniques, methodological notes are available at the Geostat website does not seem to correspond to the facts.
284. In many countries, data from administrative sources are efficiently used for labour market statistics. Unfortunately, appropriate administrative data do not seem to be available in Georgia.

#### **4.2.6 Wages Statistics**

285. Wages statistics are derived from two surveys: the Business Survey ('Statistical Survey of Enterprises') among non-financial business sector enterprises and the supplementing Data on the Labour Survey among non-business sector organisations and financial establishments. The Business Survey is conducted by the Business Statistics Division and beside the module on labour market aspects also includes data like turnover, intermediate consumption, etc. The Data on Labour Survey is the responsibility of the Social Statistics Division. From Social Statistics, five permanent staff members and one on a contractual basis are involved in the survey; seven contracted people work on the data entry.
286. The concept of labour remuneration measurement meets international practice recommended by ILO: Current International recommendations on labour statistics, 1988 Edition – International Labour Office.
287. Information on the Business Survey is provided in *Section 4.11*. The Data on Labour Survey is conducted very similarly to the Business Survey.
288. Quarterly wage statistics are published 77 days after the end of the reference quarter, and annual statistics on 5 October of the next year.

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## 289. *Assessment:*

*Geostat produces in the domain of labour market statistics: employment and unemployment statistics based on data from the Integrated Household Survey, and wage statistics based on Business Survey data supplemented by data from a special Data on Labour Survey.*

*It is welcomed that Geostat subscribes to the IMF SDDS and that documentations and metadata of the indicators on employment, unemployment, and wages are provided on the IMF website.*

*Deficiencies of and problems with the Integrated Household Survey are discussed in detail in Section 4.23 'Living Conditions Survey'. Improving the sampling frame, now based on the 2002 census, and implementing a specific labour force survey in order to improve the information on the labour market are highly recommended.*

*Unemployment statistics are published only on an annual basis although the Integrated Household Survey is conducted on a quarterly basis. Given the political importance of the unemployment rates and the role of these data as a flagship product for Geostat, Geostat should do its utmost to (i) assure the necessary and high quality of these statistics, (ii) produce quarterly statistics as soon as possible, and (iii) provide the public with a comprehensive documentation, available on the website, of the concepts behind the product, the production process, and the quality indicators which allow users assessing the relevance and the quality of the unemployment rates.*

*A lack of trust in the unemployment rates as published by Geostat has been expressed by various users and representatives of institutions,. This fact, however, may indicate a negative public perception of the work of Geostat in general. Improving trust in Geostat's unemployment rates should have a very high priority. Total transparency of methods (see the point above) is absolutely necessary Also, remedies must be found for deficiencies in prerequisites, for example in the sampling frame, and process, for example overloaded questionnaire,.*

*As Geostat has no methodological unit and, as it seems, no experts who could get engaged in developing further the methodological framework, it is highly recommended to start cooperation with an academic expert. A critical review of the existing production process and measures to remedy all deficiencies should be the first task. The development of the methodological framework for monthly unemployment rates could be another topic for such cooperation Regional breakdowns, for example of the yearly unemployment rate could be another topic. Such cooperation can also be seen as a measure of trust-building in the public.*

*Future needs of labour market statistics should be discussed with users. A user group on social statistics would be appropriate for this and should be established.*



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## 4.3 MACROECONOMIC STATISTICS

### 4.3.1 National Accounts

290. Maintaining the national accounts system and compiling satellite accounts are the responsibility of the National Accounts Division of Geostat. The division has a relatively small staff of six experts. A slight increase from six to eight permanent staff members is planned for 2012 in the SDS 2011-2014.
291. National accounts statistics are compiled based on the System of National Accounts 1993. GDP estimates by production and expenditure are compiled and disseminated annually and quarterly. Volume measures of GDP are available only by the production approach. Furthermore, supply and use tables and annual input / output tables are compiled. The compilation of national accounts began for the year 1990. Quarterly data are available since the beginning of 1996.
292. The IMF Report on the Observance of Standards and Codes (ROSC) recommends 'pre-established, regular meetings, such as one per year, to improve communication among data compilers at National Bank of Georgia (NBG), Geostat, and the Ministry of Finance (MoF), by discussing issues of common interest, avoid duplication of efforts, and ensure the consistency of macroeconomic statistics (national accounts, monetary, fiscal, and external sector).' Formalised meetings of these agencies have not been established so far, but meetings of these actors are, according to Geostat, conducted.
293. European and international classifications are used, partly in national adaptations such as the GNC 001-2004, the Georgian national adaptation of NACE Rev. 1.1, the national classification of products CPA 002-99 corresponding to the CPA 1996. Classifications of Individual Consumption by Purpose (COICOP) and Classifications of the Functions of Governments (COFOG) are used to classify household consumption and the functions of government, respectively.
294. Geostat compiles various source statistics for the national accounts itself and also uses data from other data producing agencies such as the National Bank of Georgia (balance of payments, monetary and financial statistics), the Ministry of Finance (government finance statistics), and the Revenue Service (VAT data). Geostat is the coordinator for the exchange of information among the administrative bodies; memoranda of understanding on exchange of macroeconomic data were established between Geostat and the Ministry of Finance (MoF), Geostat and Education Quality Development Centre, and Geostat and the National Bank of Georgia (NBG).
295. With respect to the quality of available data sources, the assessment reported in the IMF ROSC from 2011 still applies. Data sources continue to be generally inadequate. The arguments in detail:
  - No economic census has been conducted for many years.
  - Business surveys and household budget surveys are affected by under-reporting.
  - The maintenance of the business register has been improved in the recent past – see *Section 4.1.1 'Registers'* – but it still needs considerable improvement; for example the coverage in some NACE categories, the assignment of NACE

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codes to enterprises and their update, and problems with removing non-active enterprises have negative consequences for inputs in calculating national account indicators.

- The coverage of some activities is considered incomplete, in particular trade, construction, other community, social and personal activities, activities of individual entrepreneurs.
- Data for the government sector and the balance of payments are obtained from MoF and NBG, respectively. However, consolidated budget data are not considered detailed enough to properly estimate intermediate consumption.
- Various ad hoc sample surveys, for example a retail trade survey, surveys on non-observed economy in construction, restaurant, and repair services, a survey on investments in fixed capital, are conducted to support main data collection.
- Source data are available on a timely basis except the NBG data for insurance companies.
- The compilation of export / import price indices needs to be set up. Such indices are indispensable for the compilation of GDP in real terms on the expenditure side.

A crucial point of much of the underlying basic data is the lack of mandatory reporting for enterprises and households and the lack of sanctions for non-reporting of statistical data.

296. A comprehensive documentation of data sources is not available and should be provided to the users as soon as possible. Due to the lack of adequate and detailed metadata it is impossible to assess the quality of the present system. This documentation should be part of the general documentation of national accounts which is under development with the assistance of Statistics Sweden.
297. The calculated macroeconomic aggregates are: Gross Domestic Product (GDP) in current and constant prices (base year 2003), Net Domestic Product, Gross National Income, Net National Income, Gross Disposable Income, Consumption of fixed Capital, Net Saving, Net Lending(+) / Net Borrowing(-), industrial production indices. The compilation of GDP by expenditure approach in real terms is to be developed; this is also a recommendation in the IMF ROSC. Surveys as planned in the SDS 2011-2014 for the education sector (2012), the transport and communications sectors (2013), and for the healthcare sector (2014) will improve the data coverage of the unobserved sectors of the economy and consequently the reliability of GDP estimates.
298. Supply and use tables are available for current prices; they cover 45 activities and 67 products; the first table was published for 2006. So far, supply and use tables in constant prices are not available. The establishment of a detailed database for supporting the compilation of the supply and use tables in constant prices would be helpful for the further development. A documentation of the sources and the method of compilation should be provided to the users.
299. Balance sheets for institutional sectors of the economy are not available so far and should be established, resources permitting, including for the government sector (as a priority), households and private, non-commercial organisations serving households, non-financial corporations, and financial corporations. In the SDS

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2011-2014 the development of balance sheets for financial corporations and the government sector are planned for 2012; for the household sector, balance sheets are planned for 2013.

300. The national account results are published through press releases and the Quarterly Bulletin; both are also available on the website. The Statistical Yearbook of Georgia also contains a section on national accounts. National Accounts of Georgia is an annual online publication that contains more detailed information on national accounts. Georgia is subscriber to IMF's Special Data Dissemination Standard since 2010. Various reports are prepared for international organisations (Eurostat, UNECE, etc.).
301. A detailed documentation on data sources and methods for compilation of national accounts is not available and should be developed.
302. From time to time, comprehensive analyses of revisions should be performed; sources of errors, omissions, and fluctuations in the data which make revisions between preliminary and final data necessary should be documented.

### **303. Assessment**

*National accounts statistics are compiled based on the SNA 1993. GDP estimates by production and expenditure are compiled annually and quarterly; volume measures of GDP are available only by the production approach. Supply and use tables and annual input/output tables are compiled.*

*The assessment and the considerable number of resulting recommendations as reported in the IMF ROSC from 2011 still apply. Problems with data sources refer in particular to the coverage of the some activities such as trade, construction, and activities of individual entrepreneurs; the estimation of intermediate consumption is considered to be a problem. Plans of Geostat to solve the related problems within reasonable time are welcomed.*

*A formally established working group comprising Geostat, the MoF, and NBG would be a good basis for the important interagency cooperation. Pre-established, regular meetings, for example one per year, would improve communication among data compilers at these institutions by discussing issues of common interest, avoiding duplication of efforts, and ensuring the consistency of macroeconomic statistics.*

*The Assessment Team supports the target of the SDS 2011-2014 to increase the permanent staff of the National Accounts Division from six to eight members. Proper training for the staff should be provided and measures to retain experienced staff should be implemented. Also the augmentation of IT resources is recommended.*

*The quality of the national accounts results is dependent on that of the primary data which are available. Geostat has several limitations in this respect, and corresponding recommendations are given in the following:*

- *It is highly recommended to enact appropriate amendments to the Law that reinforce mandatory reporting of statistical data and ensure application of sanctions for non-reporting.*

- *Improvements in the maintenance of the business register should be achieved such as the more complete coverage in some NACE categories, an improved assignment of NACE codes to all units kept in the register and their update, and an efficient procedure for removing non-active enterprises.*
- *The data coverage of the non-observed sectors of the economy and the reliability of the estimates of Gross Domestic Product should be improved.*
- *Cooperation with the Ministry of Finance is recommended in order to obtain consolidated budget data by organisation. Data at a high level of detail would allow for better estimates of intermediate consumption.*

*The compilation of the GDP by expenditure approach in real terms is so far a missing element in Geostat's national accounts system. A prerequisite for these estimates is the availability of export/import price indices so that exports and imports at constant prices can be compiled. The estimation of export/import price indices is recommended.*

*The conduct of an investment survey is recommended which would allow better estimation of the stock and deriving better estimates of consumption of fixed capital.*

*The plan to establish a compilation system for GDP by expenditure approach in real terms by end of 2013 is very much supported.*

*Resources permitting, balance sheets for institutional sectors of the economy should be established, with the government sector as priority, and for households and private, non-commercial organisations serving households, non-financial corporations, and financial corporations at a later stage.*

*The work on establishing full balance sheets including non-financial assets is interesting and ambitious. Calculations of stocks of non-financial assets are very complex and most countries neither have the necessary data sources nor the methodological capacity to compile this. Geostat should consult international experts to ensure the quality of this work.*

*A detailed documentation of data sources and methods for compilation of national accounts in Georgia should be developed and disseminated. Such metadata should include a detailed critical assessment of all basic data on which the calculations of national accounts rest.*

*A comprehensive analysis of revisions should be performed from time to time. Users should be informed about revision policy and about revision studies and the analysis of revisions.*

*National accounts are based on and follow the international guidelines SNA 1993. A plan for the transition of the compilation of the national accounts to the SNA 2008 should be established; parallel calculations of main aggregates should be foreseen.*

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#### **4.3.2 External Trade Statistics (Goods) and Foreign Direct Investment Statistics**

304. Statistics of external trade in goods are produced by Geostat's External Trade and Foreign Investment Statistics Division. They are based on the Harmonised System of Commodity Classification (2012) and SITC Rev. 2, and conform to international methodology.
305. The primary source of data is customs declarations of merchandise trade provided by the Revenue Service of the Ministry of Finance, supplemented by:
- Import / export data on motor vehicles and cars from the Service Agency, a legal entity of public law (LEPL) of the Ministry of Internal Affairs.
  - Electricity imports / exports from the Georgian State Electric System Ltd.
  - Natural gas data from the Georgian Gas Transportation Company Ltd.
306. Statistics of external trade is compiled monthly by country and commodity group, with express figures being available 16 days after the end of the reference month, and more detailed figures after 24 days.
307. A mechanism for checking and improving the quality of Georgia's external trade statistics is a mirror statistics exercise whereby Georgia's exports to and imports from a neighbouring country are compared with that country's imports from and exports to Georgia. Although a number of mirror statistics exercise were undertaken with neighbouring countries in the mid 2000s, no such exercises have been undertaken since then.
308. The quality of the external trade data is currently adversely affected because certain borders are not part of the primary data collection.
309. The recent IMF review identified the need for Geostat to introduce import and export price indices. This work will be taken forward as part of the Statistics Sweden twinning project.
310. Foreign Direct Investments (FDI) in Georgia are estimated from a quarterly survey of some 2900 companies on a rotating sample basis. The data from this survey are supplemented by information from the National Bank on FDIs in the financial sector.
311. Both the external trade and FDI data are provided to the National Bank as inputs to the Balance of Payments. Geostat and National Bank staff meet regularly and working relations were assessed to be excellent.

#### **312. Assessment**

*The external trade and FDI statistics are judged to be well-founded with no significant methodological issues.*

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### **4.3.3 Balance of Payments**

313. Georgia's Balance of Payment statistics are compiled quarterly by the National Bank in accordance with the IMF Balance of Payments Manual (5<sup>th</sup> revision), utilising data both from Geostat and the Bank's own statistical enquiries.
314. The recent IMF review of Georgia's macroeconomic statistics concluded that they were generally of a high quality and met users' needs adequately. The IMF raised no major issues with the Balance of Payment statistics and, therefore, they were not reviewed further in this visit.

### **4.3.4 Price Statistics**

315. The Price Statistics Division in Geostat is under one of the Deputy Director. The Division has 11 employees, of which 8 is permanent. All of the division's employees are professionals.
316. The division is responsible for the compilation and dissemination of:
- The Consumer Price Index (CPI).
  - The Producer Price Index (PPI).
  - Contributing to the Purchasing Power Parity Index (PPP).

### **4.3.5 Consumer Price Index (CPI)**

317. The consumer price index has been compiled since 1992, and data are collected on a monthly basis. 10 000 prices are collected for 288 goods and services in the five largest cities. The data is collected by 19 enumerators based in the regions and equipped with handheld computers. The prices are collected from the 10<sup>th</sup> to the 20<sup>th</sup> day in the reference month, and disseminated on the third day following the reference month.
318. The 288 goods and services included in the consumer basket are generated by national accounts data and the Household Budget Survey in 2010. The trade points are collected randomly according to their turnover. The price data are delivered to Geostat's head office the day after registration by the regional office. The data are checked first by the enumerator, then by the supervisor. The data are also checked by the regional office and the Central Office.
319. Geostat expanded the scope to the 8 largest cities in 2010. The result was that there were no significant difference between five and eight cities, and Geostat returned to five cities after a couple of months.
320. Classification for Individual Consumption by Purpose (COICOP) is used.
321. The coverage of the goods and services correspond to monetary expenditures on the households' consumption from the Household Budget survey and national accounts, with the exception of:
- Expenses on direct payments
  - Money gifts

- Gaming
- Illegal activities
- Own account production for final consumption
- Rents
- Imputed rentals on owner-occupied housing

There are no current plans to include these items.

322. The calculation and aggregation methods follow the recommendations from ILO. Geometric mean is used to calculate elementary price indices. Software for data processing, coding rules and procedures has been developed by Geostat. Basic price information is validated by the Price Statistics Division.
323. The weights for CPI are based mainly on national accounts 2010 with Household Budget survey as an additional source. The weights are updated annually as of 2012, and were updated last in January 2012. Each region has its own weights. The new weight for 2012 includes monetary consumption from five regions. Owner-occupied housing is excluded from the weights.
324. The prices are only collected for urban areas, except for goods only found in rural areas, for example prices for timber. There have been no analyses of the difference between urban and rural prices, and the consequences of not including rural prices in the CPI.
325. Replacements of items or outlets take three months with the current system. The plan is to have backup lists by the end of 2012.
326. The basket was updated and revised in January 2012, and will be updated annually. The content of the basket is known to the public.
327. There is no seasonal adjustment of the CPI, nor are there any plans for introducing it. There is however a plan to introduce quality adjustments.
328. Geostat has prepared core inflation (daily life basket) for special users. The core inflation is delivered to IMF, but it is not disseminated to avoid confusion among users. Geostat is already struggling to explain the CPI to the public.
329. Some documentation and metadata are available on the website. More extensive metadata is under development and will be finalised by the end of December 2012.
330. Geostat has not started work on the Harmonised Index of Consumer Prices (HICP), and does not have any plans for this. Geostat would need assistance to develop the HICP.

#### **4.3.6 Producer Price Index (PPI)**

331. The producer price index is collected on a monthly basis, and the scope and definitions are in line with the recommendations of international standards. PPI covers industrial activities classified by C, D, E of NACE Rev. 1.1.
332. Prices are registered from the 1<sup>st</sup> to 8<sup>th</sup> day in the reference month by enumerators connected to the regional offices, and published during the month after the reference month.

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333. 1 040 prices on industrial items from 405 companies are collected monthly. The items are chosen based on production in structural business statistics (SBS). The regional offices participate in the sampling of the companies.
  334. The PPI weights are calculated and updated annually based on their share of the overall production volume according to the data of the national accounts.
  335. Elementary indices are calculated as ratio of prices of comparable items, which are aggregated to higher level using Laspeyres formula.
  336. Price imputation is carried forward. Quality adjustments are made based on calculations from the companies.
  337. The primary and processed data are checked for internal and temporal consistency, as well as being cross-checked with data available from other sources, for example from the business survey.
  338. PPI is disseminated by activities and in time series. Some documentation and metadata are available on the website but is not developed completely.

#### **4.3.7 Purchasing Power Parity Index (PPP)**

339. PPP: Georgia has agreed to take part in the 2011 round of the International Comparison Program (ICP). The proposal is to link Georgia with Armenia to facilitate regional and global comparison. The Price Statistics Division cooperates closely with the National Accounts Division on this project.
340. The work on the PPI is progressing according to what was planned.

#### **341. Assessment**

*The CPI basket is revised annually for minor changes, mainly based on information from the Integrated Household Survey. In addition to problems with the Integrated Household Survey as mentioned above, and even though the groups and main products remain the same, this measurement approach might create problems in comparisons from one year to another. Changes over 12 months in prices cannot be distinguished from changes in the basket. A chain-link using both baskets for one or two months would solve this issue. There are no plans for a regular, systematic approach to major revisions of the basket, and such a plan should be developed. It is recommended to revise the basket not every year but in larger intervals, for example every five years. This is also sensible considering the limited resources of Geostat. Moreover, an analysis of the consequence of the approach and its consequences on the quality of the CPI is highly recommended.*

*Seasonal adjustment of CPI is not done. This should be considered. An impact assessment would be helpful for deciding this issue.*

*Rentals and owner-occupied housing is not included in the CPI. A plan to include it, including a time frame, should be developed.*

*It is welcomed that an improvement of the documentation and the metadata is under development.*

*The participation in the 2011 ICP round is seen as a positive development.*



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*From various sides lack of trust in the CPI values and the inflation rate was noted, which seems to be a similar situation to that for unemployment rates. A rather poor presentation of CPIs on the website and a rather poor description of the methodological basis may contribute to that. Measures like those suggested for the unemployment rates should also have highest priority for the CPI.*

*The IMF Report on Observance of Standards and Codes (ROSC) gives various hints on weaknesses with respect to relevance, scope, source data, statistical methods, and metadata which should be considered as well. Among these are:*

- *Extending the coverage to include the expenditure pattern for the whole population in the CPI weights, and including additional outlets for price collection to cover prices in rural areas.*
- *Clarifying the treatment of owner-occupied housing in weights, and including owner-occupied housing in the CPI.*
- *Adjust the HBS result to account for known and suspect shortcomings and compare the result against alternative data on aggregated levels.*
- *Give special attention to more complex items like insurance, housing, wireless communication services, computers etc.*
- *Introduce quality adjustment methods to implicitly or explicitly account for the quality changes.*

#### **4.4 BUSINESS STATISTICS**

342. The Business Statistics Division of Geostat produces annually various economic indicators based on quarterly and annual business surveys. For some time, the National Accounts Division has estimated a monthly growth indicator, based on VAT data from the Revenue Service.
343. In total, 16 staff members are working on structural business statistics (SBS) at the Business Statistics Division. In addition, there are approximately 120 interviewers, out of which 28 take part in data editing and coding. SBS are based on two data sources: annual sample surveys as well as value-added tax data of the Revenue Service.

##### **4.4.1 Structural Business Statistics**

344. The SBS cover all economic activities except the financial sector (NACE J) covered by the National Bank, private households employing domestic staff (NACE P), activities of extraterritorial organisations (NACE Q), public administration (NACE L), and retail trade on markets and fairs (NACE 52.62.2). The statistical unit is enterprise.
345. The national adaptation of NACE Rev. 1.1, the GNC 001-2004, is used for classifying the activities of the enterprises. Some problems with the use of this classification are mentioned in *Section 4.12 ‘Classifications and Nomenclatures’*. A major problem is the fact that no provision is made which adapts the NACE code of an enterprise to changing activities. The process of transition from NACE Rev. 1.1 to NACE Rev. 2 is in an early stage. The development of the national version of NACE Rev. 2 may be finished in 2012; the plan for transition in all the

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related statistical surveys and domains has not been fixed, but should include measures like parallel-estimating and back-casting.

346. The sample survey covers all registered large enterprises (around 3 000 with either more than GEL 1.5 million of turnover or more than 100 employees) and a random sample of the small and medium enterprises stratified by size and economic activity. The business register is used as sampling frame; see *Section 4.11* for details of the business register and related problems. The annual sample includes 12 500 enterprises; the quarterly sample size is 9 000 enterprises. In spite of some explanations of Geostat, the rational of implementing the annual and the quarterly business surveys with quite an overlap in the coverage is unclear. The design should be reconsidered as a modification might result in a more efficient use of resources. In general, more detailed information would be needed on annual basis, whereas only key variables could be surveyed quarterly.
347. Interviewers of the regional offices of Geostat collect the data. The regional offices send the completed questionnaires to the Business Statistics Division of Geostat for data editing, logical and arithmetical controls. The Tbilisi Statistics Bureau processes and edits the questionnaires from Tbilisi region. In total, seven employees of Business Statistics Division, with 28 interviewers, process and edit the questionnaires from other regions, and are responsible for checking data on macro level and for database work. Arithmetical and logical controls are done using special software. Relying on two separated tracks of the statistical process might cause inconsistencies.
348. The data go through initial plausibility and consistency checks and high-value transactions are confirmed with respondents. Survey errors are routinely assessed. If the sample error is high, the sample will be stratified at a more aggregated level. Confidence intervals are calculated for all variables to assess the accuracy. Non-response is sorted by seven reasons and analysed, but results of this analysis are yet to be used to improve the data collection process. No consistency checks are performed with other data sources (for example administrative).
349. The response rate in business surveys has noticeably decreased over the last years; most recent (2012) rates are slightly above 75%. The current legislation does not require enterprises or institutions to provide the necessary data for official statistics, and Geostat cannot take legal steps against cases of refusal to provide information, a situation which is not often found in other countries. Improvement of the quality and efficiency of structural business statistics might also be achieved by using modern surveying methods, for example a mixed mode of paper and internet-based questionnaires instead of interview-based data collection. Recently, an online survey for quarterly business statistics and a CATI procedure for updating the business register were launched. Training of staff has been carried out. The methodology is expected to gradually increase the efficiency of data collection. Decreasing the use of interviewers, and also some services of the regional offices, would certainly reduce substantially the costs of business surveys. By this, Geostat would attain two of the aims of the strategy for 2011-2014, viz: (i) to reduce the delay in disseminating business statistics by 30% and (ii) to reduce non-response by 50% as compared to 2010.
350. The measured variables include turnover, production value, number of persons employed, number of employees, average monthly remuneration of employed

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persons, value added, intermediate consumption, personnel costs, total purchases of goods and services, purchases of goods and services for resale and investment in fixed assets. The variables value added, intermediate consumption and investment in fixed assets are collected only in the annual surveys.

351. The Business Statistics Division prepares output tables and carries out data analysis and dissemination. Geostat releases structural business statistics annually nine months after the reference period, which corresponds to the European practice. Data are published according to an advance release calendar. The dissemination formats include press-releases in PDF format, the Geostat website, Excel tables, and statistical publications. Metadata explaining concepts and definitions, describing the statistical process, and reporting quantitative quality indicators are not provided alongside the results. Users would appreciate to be informed on, for example the groups used for size of enterprises etc. At least the English website does not include any metadata for business statistics.
352. Statistics are released by size of enterprises, economic activity, ownership type, legal form of organisations, and regions. Results are presented by 11 NACE classes: primary agriculture, hunting and forestry; fishing; industry; construction; trade; hotels and restaurants; transport and communication; real estate, renting and business activities; education; health and social work; and community, social and personal services. Compared to the European practice in line with the EU regulation No 295/2008 on structural business statistics, Geostat currently provides the SBS data at a rather aggregated level, which obviously is due to the available staff resources.
353. The latest annual data available are currently for 2011. For annual data, the disaggregated time series mainly start from 2006. The time series for production value, persons employed and their remuneration start from 1999, thus are rather short. Users of statistics certainly need longer time series and, as already said, a comprehensive documentation of metadata.
354. There is no revision policy and revisions are not carried out on structural business statistics. However, the website clearly refers to preliminary data for 2011 and 2012. It explains that the discrepancy between the 2010 annual data and the previously published data is due to: updated population frame of active enterprises, and improved coverage and finalisation of preliminary data.
355. To establish a formal mechanism for regular consultation between Geostat and business representatives is also an aim of the SDS for 2011-2014.

### **356. Assessment**

*For the estimation of business indicators, Geostat collects data from enterprises in four quarterly and one annual survey. In recent time, the business register has been improved and the corresponding progress in the coverage of the Georgian enterprises is welcomed. Nevertheless, as the quality of data from the business surveys is depending on the quality of the business register it is recommended that the economic census as planned for 2014 will be conducted. The design of the annual and quarterly business surveys should be reconsidered; a modification might result in a more efficient use of resources, besides allowing for innovative statistical products.*

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*The Law on Official Statistics does not oblige enterprises or institutions to provide the necessary data for official statistics. Without the legal obligation, statistical agencies have no legal tools to approach businesses that do not provide information.*

*Geostat should accelerate the change to NACE Rev. 2 in all business statistics. The preparations should include user consultations. It is recommended that the plan for transition includes measuring implied by the changed NACE classifications like parallel-estimating and back-casting.*

*The current interview-based data collection is expensive. It is recommended to use modern surveying methods, for example a mixed mode of paper and internet-based questionnaires instead of interview-based data collection in order to reduce costs and also to improve the quality of business statistics. Abandoning the use of interviewers, and also some services of the regional offices, would certainly reduce substantially the costs of business surveys. However, this change requires investment in new technology and staff training.*

*An overall response rate between 72% and 74% is not a desirable value for a business survey. It is highly recommended that appropriate amendments to the Law are enacted to reinforce mandatory reporting of statistical data and to ensure application of sanctions for non-reporting.*

*It is recommended that longer time series of business statistics are provided on the website. More important, the website should give access to a comprehensive document on metadata for business statistics, also in English. Revisions should be identified as such and explanations for the reasons and effects of revisions should be given. These explanations should be in line with a revision policy which still has to be established and published.*

*It is recommended to establish a formal mechanism for regular consultation with business representatives. This would be beneficial for the quality of business statistics and has already been envisaged in the SDS for 2011-2014.*

#### **4.4.2 Short-term Statistics on industry, construction, retail trade and services**

357. Geostat is currently not producing typical short-term indices by economic activities, such as industrial production index, output in construction, retail trade or services indices. A monthly turnover indicator exists on the level of total economy. In addition, monthly information on wages is produced by economic activity. The number of building permits is also produced. Similar variables to STS are published quarterly as part of SBS 65 days after each quarter, but without providing a time series or an archive of the previously published data. The scope, production methods and statistical unit of the quarterly data follows those of the structural business statistics. For some months, the National Accounts Division has estimated a monthly growth indicator called Rapid Estimate of Economic Growth. Data sources are VAT data from the Revenue Service and other monthly statistics like Government budget revenues and expenses. Typical short-term indices such as industrial production index or retail trade index are not available so far.

358. The initiative to implement a monthly growth indicator at Geostat corresponds to the lack of statistics which are urgently needed by those who are responsible for

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economic policy in Georgia or observers of the economic policy within and outside of Georgia.

359. The Rapid Estimate of Economic Growth is released 30 days after the reference month as part of a document ‘Monthly Economic Statistics’ which contains besides the Rapid Estimate of Economic Growth other monthly statistics like CPI, monthly turnover indicator and foreign trade statistics. The European STS regulation would require producing the monthly turnover indicator by main economic activities. The methodology of short-term business statistics sets guidelines for producing STS indicators either as values or indices.
360. It will be of high interest to users to see revisions of the Rapid Estimates of Economic Growth and to compare these flash indicators with related statistics that are based on more data. A transparent revision policy and the user-friendly publication of revisions and an open discussion of coherence issues will be crucial for the trust in the Rapid Estimate of Economic Growth and other sub-annual indicators in the future. A documentation of the Rapid Estimate of Economic Growth and other sub-annual indicators should be available on the website.
361. In a redesign of the annual and quarterly business surveys the option should be considered to supplement a comprehensive annual survey by monthly or quarterly surveys which allow the estimation of indicators like the industrial production index, output of construction or retail trade index. This also applies to labour variables of business statistics, such as number of persons employed, hours worked, and gross wages and salaries by economic activity. Nevertheless, it might be worth to check whether the data collected in the quarterly business surveys are suitable to derive quarterly short-term indicators for the relevant variables such as production value and turnover in different industries. The first step could be to collect monthly information at quarterly intervals.

### **362. Assessment**

*The initiative to produce the monthly Rapid Estimate of Economic Growth is a first step in filling a huge data gap.*

*Short-term economic statistics like growth indicators are urgently needed by those who are responsible for economic policy in Georgia or observers of the economic policy within and outside of Georgia.*

*At present, Geostat does not release other key short-term indicators like industrial production, output in construction, retail trade or services indices even though it collects relevant source data. This hampers analyses of the development of the business sector in Georgia and international comparisons. The second step could be to provide quarterly indices for the relevant variables, such as production value and turnover in different industries. Any deviations from the international methodology should be explained to users so that they will not make misleading conclusions compared to other countries.*

*Geostat should review the user needs and national relevance of producing STS with internationally comparable methods. The retail and service sectors in particular have grown in importance and new short-term statistics measuring their development may be needed.*

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*It is recommended to consider in a redesign of the annual and quarterly business surveys the option to supplement a comprehensive annual survey by monthly surveys which allow the estimation of short-term economic indicators by economic activity. Moreover, it is recommended to check whether the data collected in the quarterly business surveys are suitable to derive quarterly short-term indicators.*

*Also here it is recommended to establish a formal mechanism for regular consultation with economists and others in need of short-term statistics such as a user group.*

## **4.5 AGRICULTURE STATISTICS**

363. The Agricultural and Environment Statistics Division is responsible for the collection, compilation and dissemination of statistics on agriculture and agricultural production, for conducting agricultural censuses, and for producing food balance as well as for statistics on the environment. The division has nine permanent staff members at the main office; more than 200 interviewers and a number of coordinators are conducting the Sample Survey of Agricultural Holdings.
364. The last agricultural census was carried out in 2004. Since 2007, Geostat has carried out an annual agricultural survey, the Survey of Agricultural Holdings, collecting information on land use, plant-growing, use of crop production, processed products, on use of fertilizers and pesticides, animal production and its use, agricultural machineries and buildings, production costs, agricultural credits. The most recent complete set of results, 'Agriculture in Georgia 2011', was published in June 2012; some preliminary results from the 2012 survey were published at the end of May and August 2012.
365. The Sample Survey of Agricultural Holdings is the main information source for current agricultural statistics. Each round of the survey covers one reference year and consists of five interviews: the Inception Interview is conducted during the last ten-day period of January of the reference year; I, II and III Quarter Interviews are conducted during the first ten-day periods of April, July and October, respectively; and the Final Interview is conducted during the middle ten-day period of January after the reference year. The interviews are conducted by interviewers visiting the holdings. During all five interviews, the same 5 000 agricultural holdings are interviewed which are selected by a two-stage random sampling procedure out of about 810 000 agricultural holdings functioning in Georgia.
366. Each year a new sample of agricultural holdings is selected. It should be noted, however, that large agricultural holdings are sampled with complete coverage, so they are interviewed each year systematically. In 2007-2009 the number of such holdings varied between 400 and 500.
367. The sampling frame for the survey is the farm register which was created based on the agricultural census 2004 and unfortunately has poor coverage; see *Section 4.11 'Registers'*. The consequences of the poor quality of the farm register are difficult to assess. Cooperation with the Ministry of Agriculture and making use of the regional representatives of this Ministry might help to improve the updating of the farm register and to overcome related problems. An agricultural census urgently needs to be conducted. Geostat uses the business register for updating.

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368. The term agricultural holding means any economic unit engaged in agricultural production, without regard to the scale of production, legal status of the unit, and the tenure form of agricultural assets. Geostat does not have a definition of agricultural holding, for example in terms of size of plots or number of animals: any agricultural activity including household farming is considered in the Survey of Agricultural Holdings as an agricultural holding.
369. A network of over 200 interviewers is engaged in the survey. At the end of each year the interviewers are trained with the aim of increasing their skills. During the training, errors made by the interviewers are analysed, changes in the questionnaires and in the instructions are discussed (if such exist), and the interviewers are given lists of holdings to be interviewed during the next round of the survey. To each municipality a supervisor is assigned whose duties are to organise and control the work of the interviewers and to validate the completed questionnaires. The completed questionnaires are gathered in the regional offices from which they are transported to the Central Office. Since October 2012, the data collection has been more centralised; the data validation has been partly automated by the use of the evaluation software. The survey completely covers the controlled territory of Georgia.
370. The Inception Interview is conducted using a special Inception Questionnaire. During that interview, the sampled holdings are identified and the situation existing at the holding as of 1 January is recorded in the questionnaire. Three quarterly interviews are conducted by means of the Quarterly Questionnaire. The questionnaire records information about agricultural activities at the holding during the corresponding quarter. The final interview, conducted in the fourth quarter, provides a summary of agricultural activities at the holding during the whole year and is conducted by means of the Final Questionnaire.
371. The collected data are entered into the computer by means of special software within 15 days after the questionnaires are gathered at the Central Office. Simultaneously, computerised data validation is carried out. The aforementioned software reveals the questionnaires with inconsistencies as well as the inconsistencies themselves. The staff members of Agricultural and Environmental Statistics Division correct these inconsistencies by comparing the questionnaires and phone checking with the interviewers and respondents. In case it is impossible to check a questionnaire by phone, it is corrected logically. At present the computerised validation is carried out based on about 200 criteria. The resulting data are stored in a database.
372. In the next step, outliers, non-typical and suspicious data are revealed, checked and corrected. Also, the data from all inquiries of the year are harmonised. In this activity, the data of the Final Interview are especially important, enabling checking and harmonisation of the data of all previous inquiries.
373. At the same time, data weighting is carried out with non-responses taken into account. Then, the output tables are compiled. These results are compared with corresponding results of previous periods. In cases of significant differences, the possible causes of those differences are analysed.
374. Based on the survey the following information is published. At the end of May, preliminary data on animal husbandry in Quarter I on the website; at the end of August, preliminary data on animal husbandry in Quarter II and sown areas of

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temporary crops on the website; at the end of November, preliminary data on animal husbandry in Quarter III on the website; at the end of February of the following year, preliminary data on animal husbandry in Quarter IV on the website; at the end of April of the following year, preliminary data on agricultural indicators on the website; and at the end of June of the following year, final data on agricultural indicators in the publication 'Agriculture of Georgia' on the website, in earlier years also in a hard copy version. Preliminary data are published only at the level of the whole country.

375. The sample size is insufficient for obtaining reliable results for all indicators at the level of all regions. The indicators of those regions for which, due to insufficient sample size, it is impossible to obtain reliable results are published in the aggregated form under the heading 'The remaining regions.'
376. With technical support from FAO Geostat, up to mid 2010, published a quarterly bulletin on the food security situation in Georgia. At present, under the label food security, quarterly time series of animal production and stock, of foreign trade of food and beverages, and of prices of food and beverages are published on Geostat's website.
377. The main user of the data is the Ministry of Agriculture. User-producer meetings were organised in 2011 and 2012. Nevertheless, demands by the Ministry of Agriculture and by regional authorities are to some extent not fulfilled. The problems that are encountered include: an out-of-date sampling frame with roots dating from 2004; quality problems in the data collection in the field in spite of regular monitoring of the field staff and permanent training which improved the situation; and the time taken to process and disseminate the results. The limited sample size, currently about 5 000 holdings, is not sufficient to generate reliable estimates of key variables for different localities or all commodities of interest. Cooperation with the Ministry of Agriculture and making use of the regional representatives of this Ministry might help to overcome some of the mentioned problems.

### **378. Assessment**

*Geostat covers the main topics of agricultural statistics, mainly based on the Sample Survey of Agricultural Holdings which appears to be a rather large operation with five interviews each year conducted in around 5 000 farms.*

*The quality of agricultural statistics is heavily affected by the quality of the farm register, the sampling frame of these surveys. The available farm register is based on the agricultural census from 2004 and admittedly not very good so that the quality of agricultural statistics is negatively affected. The next census is scheduled for 2014 and should under no circumstances be conducted later than 2014.*

*Demands by (i) the Ministry of Agriculture and by (ii) regional authorities are to some extent not fulfilled.*

*A closer cooperation with users, in particular with the Ministry of Agriculture, can be expected to be very helpful for improving the quality of the farm register and of the data collection within the Sample Survey of Agricultural Holdings and is highly recommended.*



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## 4.6 MULTI-DOMAIN STATISTICS

### 4.6.1 Environment statistics

379. Geostat does not produce environment statistics at present. Instead, they fall under the responsibility of the Ministry of Environment and the Ministry of Energy and Natural Resources. One staff member of Geostat is currently working on environment statistics based on data from the agricultural survey and fertilisers. An electronic publication is produced every year and it is available on the Geostat website in national language only.
380. Currently the themes published in environment statistics are based on the following statistics produced by the Ministries:
- Forest resources cover variables such as wooded area and forest reserves, rehabilitation of forests, number of employees in forestry, operation costs of forestry, volume of lumber obtained by logging, illegal logging and forest fires.
  - Protection issues covered include the area of protected territories of Georgia, number of animals protected in national parks and reserves and their maintenance costs and number of employees.
  - Water statistics include water abstraction from natural sources, water use and water discharge to surface water bodies.
  - Atmospheric protection statistics provide information on pollutants emission from stationary sources and their treatment and pollutants emission by motor transport.

### 381. Assessment

*Waste statistics are currently very incomplete in Georgia. For example, it is not possible to assess the contribution of the economic sectors to the waste generated or to get information on the waste treatment methods.*

*It is recommended that Geostat have an active exchange with ministries on how they collect the data, for what purpose, statistical or other, and which statistical and international standards they apply. These data need to comply with the quality standards of official statistics. The UN Statistical Commission endorsed in 2012 the System of Environmental-Economic Accounting (SEEA) as an initial standard that contains the internationally agreed concepts, definitions, classifications, accounting rules, and tables for producing internationally comparable statistics on the environment and its relationship with the economy. They also endorsed the revised Framework for the Development of Environmental Statistics. Implementation of these standards is likely to require more active involvement of national statistical offices in environmental statistics.*

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#### 4.6.2 Energy statistics

382. The Business Statistics Division of Geostat is responsible for energy statistics. The data analysis and dissemination is carried out by five staff members of the Industry and Construction Statistics Subdivision that also work on other statistics on industry and construction. Geostat does not carry out special surveys on energy statistics.
383. The information sources for energy statistics are:
- Geostat's quarterly and annual business surveys that provide information on energy expenditure of the business sector (disaggregated into electricity and heat, natural gas, oil and oil products, solid fossil fuels and manufactured gas, renewable and waste production of energy forms by business sector) and electricity produced by hydropower and thermal plants, production (mining) of oil and natural gas and production (mining) of hard coal.
  - Geostat's quarterly and annual household surveys that provide information about consumption of energy by source: electricity, natural gas, fuel, coal, wood in monetary terms.
  - Data on exports and imports by sources of energy that come from administrative sources, namely from the Customs Office, the Georgian Electric System Ltd, and from the International Gas Transportation Company.
384. At present, Geostat does not have the energy balance, but is planning to produce the complete energy balance. A special survey on energy in industry is planned to be carried out in 2013 with financial support from the European Commission. The latest energy balance was developed in 2002 as part of the TACIS project.
385. As mentioned for the business and household surveys, data are collected by the regional offices and the Business Statistics Division carries out data editing, applies logical and arithmetical controls, analysis data and produces the output tables for dissemination.
386. What hampers the use of energy related information in Georgia is that Geostat does not publish a special release on energy statistics. A special release will be prepared after the survey in 2013. Otherwise, main indicators on energy statistics are disseminated as part of other statistical publications and energy statistics are provided to users who ask for them.

#### 387. Assessment

*Geostat already collects data on issues related to energy use and production. These data should be released more visibly using the title 'energy statistics' when sufficient amount of information is available.*

*Geostat should review the user needs and international practice in energy statistics and review the available data sources and the detail of energy data collected currently in the business and household surveys. Currently, information on consumption by energy forms is missing. The goal to produce an energy balance should be kept.*

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#### 4.6.3 Transport and communication statistics

388. Geostat releases transport and communication statistics as part of service statistics and social statistics. In the SDS 2011-2014 a survey on the transport and communications sectors is planned to be carried out in 2013, but it seems that it will not be implemented. This would be important for the quality of GDP estimates.
389. Some of the data on transport and communication are collected as part of the business survey and have the same data content. In addition, the following data are published based on information from the National Communication Commission, administrative sources of the Road Department, Georgian Railways and Airport:
- Transport: carried freight, freight turnover and average length of freight transportation, carried passengers, passenger turnover and average length of passenger transportation, number of motor vehicles by types (lorries and trucks, buses and minibuses, special, passenger cars) and the operational length of transport by types.
  - Communication: number of telephone stations, number of rural telephones and number of cellular phone subscribers, mobile companies and cable companies.

#### 390. Assessment

*Geostat should improve the comprehensiveness of the transport statistics by including airline transport and cargo to, from and within Georgia in the statistics. Statistics on road traffic accidents are not compiled.*

*Geostat should continue enlarging and developing the statistics on communication.*

#### 4.6.4 Tourism statistics

391. Geostat releases tourism statistics as part of service statistics. Some of the data are collected as part of the business survey with the same data content. Border crossings at airports and formal border posts in Georgia are registered through immigration forms. In addition, Geostat has an annual survey of hotels and hotel type of accommodation that covers all registered hotels (legal units only). Small bed and breakfast type of hotels are not covered. The following variables are published:
- Number of hotels and hotels type establishments and their local units, number of rooms and beds, hotels capacity utilisation rates by regions and activities.
  - Number of employed and employees.
  - Number of internally displaced persons who live in hotels.
  - Income and expenses of hotels and hotel type establishments.
  - Average hotel room cost per day.
  - Number of visitors (of which non-residents) by regions, by country of origin and by purpose of arrival (recreation and rest, business trip, treatment and other purpose).
392. Due to lack of resources, Geostat has problems with the quality of data and expects that the hotel statistics under-report the use of hotels. WTO recommendations for tourism statistics are currently studied in order to improve data quality.

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### **393. Assessment**

*Tourism statistics need to be developed further in accordance with WTO recommendations. These statistics should include estimates of domestic tourism, expenses of tourists abroad and export of tourism services. Geostat should review potential data sources. Special surveys on tourism may need to be carried out.*

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## **5 ANNEXES**

Annex 1a: Agenda of the 1<sup>st</sup> mission

Annex 1b: Agenda of the 2<sup>nd</sup> mission

Annex 1c: Persons met during assessment missions

Annex 2: Law of the National Statistics Office of Georgia (Geostat)

Annex 3: Global assessment guidance questionnaire for Geostat

Annex 3a: Geostat annual budget, 2010-2012

Annex 3b: Geostat staff by gender and age

Annex 3c: Metadata in Geostat

Annex 3d: Registers and classification

Annex 3e: Business surveys

Annex 4: Organisation chart of Geostat

Annex 5: List of producers of Official Statistics

Annex 6: List of public data providers