

# Twinning Project

Contract: GE 16 ENI ST 06 18

## Strengthening the Capacity of the Georgian Statistical System

**Component 1: “Development of External Sector Statistics”**

**Component 1.2: “Statistics on International Trade in Services (ITS)”**

### MISSION REPORT

**Activity: 1.2.F: “Catching up and finalization of the component”**

Mission carried out by  
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## List of Abbreviations

EC	European Commission
EU	European Union
DST	Statistics Denmark
MS	EU Member State
NBG	National Bank of Georgia
RTA	Resident Twinning Adviser
RTAA	Resident Twinning Adviser Assistant
ToR	Terms of Reference

## 1. General comments

This mission report was prepared within the EU Twinning Project "Strengthening the Capacity of Georgian Statistical System". It describes the sixth mission within *Component 1.2: Statistics on International Trade in Services (ITS) compiled*. Before this mission, work within the subcomponent had mainly focused on defining a sampling frame for a new ITSS survey and creating sampling and grossing up procedures. Moreover, a pilot survey had been carried out. Following the pilot survey, the main purpose of this mission was to discuss the compilation of the various ITSS components. Moreover, aspects of data validation, documentation and dissemination were to be discussed. This led to the following full list of discussion points:

- The travel item
- Transport (freight and passengers)
- Financial services
- Insurance services
- Governmental services
- Digital services
- Other service items
- Validation of the reports from ITSS survey
- Metadata, methodology and Routine work description

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

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

## 2. Assessment and results

During the mission Statistics Denmark had Geostat and NBG employees to present the methodology and results of the work done so far on the ITSS items. Statistics Denmark also had presentations about the travel item and the validation process of the reported ITSS results. The final objective was to ensure correct methodology and compilation before sharing of the ITSS results with main users in November 2021 and to ensure the quality.

During the four days the various components were discussed. Below is a summary of the discussions.

### Travel:

The methodology used by NBG seemed good and to some extent similar to what is compiled in Statistics Denmark. The primary sources are border control data covering people entering and leaving the country and estimates for average expenditure per traveller. The component is made together with the tourism division in Geostat, whose tourism statistics form the basis for estimating average expenditures. Statistics Denmark pointed out some unintuitive German figures on the import side of the compiled statistics. NBG explained that private import of used German cars is frequent in Georgia, and that expenditure of the private importers while staying in Germany may explain the large numbers. It was agreed that External Statistics Department in Geostat will contact the Geostat Tourism division to confirm the validity of the expenditure data. Moreover, the debit figures for Russia seemed low and the NBG had estimated that credit from Russia in the travel item were approximately 10 times larger than on the debit side. NBG thought it made sense from a geopolitical perspective so Statistics Denmark acknowledged the figures.

Finally, Statistics Denmark presented the methodology behind the travel item in Denmark, which raised a lot of questions from both Geostat and the NBG and led to fruitful discussions.

### **Transport (passenger + freight):**

For the passenger transport component, NBG told that they had not implemented the ITSS survey results provided by Geostat, and the total numbers still relied on alternative sources, i.e. data obtained from Georgian Railways and border data on a number of ships/aircraft/cars entering and leaving Georgia. However, the ITSS survey had been used to achieve a country distribution of the total numbers.

In general, this approach will lead to differences in quality among the various categories in passenger transport. For passenger transport by rail data are obtained from the only relevant entity, Georgian Railways, and consequently results are reliable. For the remaining categories within passenger transport, many assumptions are made as part of the current approach and it is reasonable to believe that an implementation of the results from the ITSS survey would improve the quality of these figures in the long term.

However, it should still be noted that survey data will probably also have drawbacks, as the structure of the road transport industry is based on many small operators for whom the grossing up of the survey results may not account precisely. Even the screening might lack some companies as many small companies are not registered making the risk of a potential “unknown economy” error high. Therefore, the recommendation in this component is to implement the ITSS survey results, but also use border control data to validate the data as well as contacting road transportation companies.

For freight transport, a preliminary solution was proposed by NBG. In this solution, import is based on traditional cif-fob corrections, while on the export side estimations for freight transport services related to goods crossing the Georgian border are made based on the number of vehicles crossing the border. In both cases, data from the ITSS survey accounting for freight transportation services in relation to goods moving outside of Georgia are added. In general, this is a valid approach which was suggested as an option earlier in the component in the paper “Freight transport and insurance”. However, as figures for freight transport form a large share of the total ITSS in Georgia and the final solution for compilation of this component has not yet been defined, Statistics Denmark supports the plans to work further on this component in the upcoming ITC project to ensure as good quality as possible.

### **Pension, financial and governmental services:**

For import of insurance services, only very few enterprises had reported figures to the ITSS survey. Therefore, compilation based on the standard procedure will be difficult. This is due to the fact that the standard calculation of insurance services as premiums + premium supplements less claims is difficult to implement when the low number of reporters means that claims are reported very rarely.

NBG/Geostat pointed out that for the Georgian insurance sector the repayment rate is only 32% which surprised the experts as it is above 90% in Denmark. However, there can be large cultural differences. Therefore, the suggestion to base import of insurance services on an assumed repayment rate of 32% was acknowledged.

For external trade in financial services (explicitly charged transactions) the NBG used their survey of the banking sector, which probably has quite accurate total figures, but lacks country distribution. The NBG said that they would add country distribution to this component in Q1 2022. Moreover, NBG had thorough information on charges related to state loans from e.g. IMF.

FISIM is not currently available, but will be calculated when the data is ready. FISIM is not expected to have a large impact on the total figures.

For governmental services, the NBG showed their calculation of the component. The methodology seems clear and similar to the one used in Statistics Denmark. The topic also raised interesting discussion on how to account for military presence and development projects.

### **Digital Services:**

Statistics Denmark advised Geostat to have a close look at the development of digital services to private households (e.g. Netflix, Spotify, in-app purchases in gaming) as these can be tricky to catch and it is a service component in growth. Geostat took note and said it was not a common phenomenon in Georgia, but it was rising.

### **Other service components:**

For the remaining service items, NBG will compile data based on the existing FDI data, i.e. the new ITSS survey will not be implemented at this stage. The decision to base data on the FDI survey will mean that full coverage of the business population is not ensured (as FDI survey is not grossed up), however the lacking trade is likely to be of minor amplitude. Moreover, the FDI survey contains only a limited number of service categories, meaning that a full distribution of ITSS on EBOBS codes will be possible only when the new ITSS survey is implemented. NBG and Geostat are aware of these issues, and NBG confirmed that the ITSS survey will be implemented once it has been sufficiently validated.

### **Validation:**

Statistics Denmark presented the validation system and methodology used in the ITSS system in Statistics Denmark. Geostat and NBG took note and asked questions throughout the presentation. Statistics Denmark pointed out how important it is to validate the data. Especially in the early phase, as the reporters probably have other definitions of trade in services than stated in the ITSS manual. Statistics Denmark made it clear that validation of the reported data was key in the transition from FDI survey to ITSS survey.

### **Routine work descriptions, SDMX metadata and methodology descriptions:**

The routine work descriptions and SDMX metadata were also briefly presented by Geostat only with a few comments from Statistics Denmark. In general these looked promising and will most likely not cause any trouble. The methodology descriptions was also presented and the format looked fine for external dissemination, but the text still needs to be drafted.

However, it is the impression of Statistics Denmark that detailed knowledge of the applied compilations procedures is held only by key persons at NBG. This poses a risk for the stability of production of ITSS for publication by Geostat. Therefore, it is recommended that measures are taken to limit the dependency on specific persons.

## **3. Conclusions and recommendations**

In general a lot of work and effort had been done between the previous and this mission at Geostat and NBG. NBG could now explain and show us final figures for a range of components in the experimental ITSS statistics. Based on the discussions during the mission, Statistics Denmark believes that Geostat will be able to finalise the experimental statistics and share it with main users by the 30<sup>th</sup> of November 2021. However, the experimental statistics will come with a few limitations which hopefully will be mitigated in the long run. Specifically, the data disseminated by the end of November cannot be expected to contain full coverage, as the data are partly based on the FDI survey which cannot be grossed up to the whole population. Moreover, a full distribution of trade on EBOBS codes will not be possible at this stage, as the FDI survey contains only a limited number of services categories. Similarly, a full country distribution will not be possible for all service categories, as NBG's surveys of the banking and insurance sector do not yet contain a country dimension. Finally, it should be noted that the experimental statistics will still – especially in the area of passenger transport – be based on estimations, that rely heavily on uncertain assumptions. For all of these reasons, it is



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recommended to implement the new ITSS survey in the compilation of the statistics, as soon as it has been sufficiently validated, and to add a country distribution to the surveys of the insurance and banking sectors.

Further, it should be noted that the production of ITSS and the future improvements outlined above will rely on a close cooperation between Geostat and NBG as the screening, survey, validation and dissemination is at Geostat, while the compilation of ITSS is at NBG. Specifically, further progress will require willingness from the NBG to use and implement the ITSS survey provided by Geostat. Therefore, it is recommended that measures are taken to ensure the continuing cooperation and to maintain the momentum of the processes which have been initiated during the Twinning project.

## Annex 1 – Terms of reference

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

October 25<sup>th</sup> – 28<sup>th</sup> 2021

#### Component 1: Development of External Sector Statistics

##### Sub-component 1.2: Statistics on International Trade in Services (ITS)

##### Mandatory results and benchmarks for sub-component 1.2:

- Statistics on International Trade in Services (ITS) compiled

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

- Availability of International Trade in Services as a statistical product
  - **Baseline:** 2019 – ITS is not produced by Geostat.
  - **Target:** November 2021 – ITS available as an experimental and preliminary statistical product
- Number of staff capable of producing ITS
  - **Baseline:** 2019 – 0
  - **Target:** November 2021 – At least 3 staff members trained and capable of producing ITS

##### Activity 1.2.F: Catching up and finalization of the component

##### 1. Purpose of the activity

To discuss the below mentioned subjects:

- Validation procedures
- Presentation and further discussion of estimation and compilation of:
  - Tourism
  - Transport
  - Insurance services
  - Financial services
  - Government services
- Routine work description
- Dissemination
- Next steps

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

- Validation procedures at Statistics Denmark have been presented and discussed
- Internal routine work descriptions at Geostat have been presented and discussed
- Geostats and NBGs estimations and compilation of ITS components have been presented, discussed and partly revised.
- Dissemination of experimental statistics has been prepared
- Next steps have been discussed and agreed upon
- Mission Report written



## Annex 2 – Persons met

### **Geostat**

Ms. Maka Kalandarishvili, Head of External Trade and Foreign Investments Statistics Department  
Ms. Nino Maisuradze, Head of Foreign Investments Statistics Division,  
Ms. Tamar Lursmanashvili, Chief specialist Foreign Investments Statistics Division,  
Ms. Nino Meskheli, Chief specialist Foreign Investments Statistics Division,  
Mr. Aleko Zoidze, Senior specialist, Foreign Investments Statistics Division,  
Ms. Nino Kharazishvili, contract employee of Foreign Investments Statistics Division,  
Mr. Giorgi Melikhidze, contract employee of Foreign Investments Statistics Division

### **National Bank of Georgia**

Mr. Vakhtang Pkhakadze, Head of Balance of Payments division,  
Ms. Manana Bakashvili, Leading Specialist Macroeconomics and Statistics Department

### **MS experts**

Mr. Stefan Anbro, Senior Advisor, Statistics Denmark,  
Mr. Niels Fjalland Nørbygaard, Head of Section, Statistics Denmark  
Mrs. Selma Mulalic, Senior Advisor, Statistics Denmark

### **RTA Twinning Team**

Mr. Steen Bielefeldt Pedersen, Resident Twinning Advisor  
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