# Twinning Project

# Strengthening the Capacity of the Georgian Statistical System

**Component 2:** *"Enhancing Methodological Soundness in the National Accounts in line with EU standards"*

**Sub-component 2.2:** "Compilation method of Supply – Use (SUT) tables and Input Output (I/O) Tables"

# MISSION REPORT

**Activity: 2.2.C (RS2) "Finalization of the population of figures into the SUT-table before balancing"**

Mission carried out by
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# Table of contents

# 1. General comments

This mission report was prepared within the EU Twinning Project "Strengthening the Capacity of Georgian Statistical System". This was the third mission within the sub-component 2.2: "Compilation method of Supply – Use (SUT) tables and Input Output (I/O) Tables". Like the previous mission in June the mission was, due to COVID-19, carried out as a Remote Session in the period from September 9th to 24th. The mission was mainly devoted to continuation of the work with population of figures into the SUT-table.

The purposes of the mission were:

- To discuss the latest data inputs made available by Geostat.
- To identify areas where data was still incomplete or needed further adjustments.
- To demonstrate the use of the Excel SUT environment and macros prepared by the Danish experts to adjust initial product-structures for intermediate consumption to their targets for industry totals.
- Prepare input structures from GFS and other sources as well as household final consumption from the household budget survey formatted as input to the SUT-workbook.
- Make initial estimates of the value layers: Wholesale trade, retail trade, taxes less subsidies on products and VAT.

The consultants would like to express their gratitude to the Geostat staff who participated in the mission, for the kind support and valuable information received during the mission.

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

The mission was carried out as a Remote Session in the period from September 9th to 24th 2020. Within this period three Zoom meetings were held, on which topics from the Terms of Reference were discussed.

Since the previous mission Excel workbooks had been prepared to contain Georgian SUTs for 2018 as well as 2017, and a system of Excel macros exist for entering and adjusting data for this Excel-framework. It was decided to consider 2018 as benchmark year, which implies that all data must be complete for this year. At the start of the project source data was often unavailable for 2018 and some 2017 source data will still be processed for comparison with the new 2018 figures. Up to this mission Geostat had prepared data inputs covering production and foreign trade. Data inputs were also available for domestic final uses. However, several problems within these areas still needed solutions, and the product structure for intermediate consumption still had to be established.

During this mission attention was primarily given to some specific areas: Imports CIF by products, output products of non-profit institutions ("NPISHs"), intermediate consumption by industries and products, output and intermediate consumption of General Government, determination of wholesale- and retail- trade margin percentages, distribution of „taxes on products" by products and uses, and finally: A system of formulas for calculation of VAT by products and uses.

Conducting this mission remotely has been even more difficult than the previous Zoom-mission as new COVID19 precautions forced the Danish experts to work from their respective homes during the entire mission. Examples using Excel had to be presented on the experts' own PCs. It was, nevertheless, possible to discuss solutions to the above mentioned issues, but files with data inputs will need to be finalized during the period between the present and the following mission. This will probably require more frequent contact between the

Danish experts and the Georgian staff members, possibly in the form of short Zoom-meetings. It is, however, the experts' perception that the mission did make essential progress towards the final target of the sub-component.

# 3. Conclusions and follow up

- Foreign trade: The recommendation, to keep CIF values for the import of goods and to introduce CIF-FOB adjustments to foreign trade in transport and insurance, was not completed due to missing information on the content of each of the Central Bank's correction steps. The observed CIF figures from Geostat are here supplemented by estimates of non-observed inputs, but it is still not obvious whether these adjustments refer to CIF- or FOB-values. Furthermore the Central bank introduces "other adjustments" in the compilation of BOP that may or may not be relevant when CIF figures are grossed up to cover non-observed imports. A meeting between Geostat and somebody working on BOP in the National Bank of Georgia can probably provide the necessary information. A Zoom-meeting could be arranged with participation from the Danish expert team if necessary.

- Product classifications: New estimates on output from NPISH units revealed a need to add a number of products to the SUT-matrices in the Excel-framework. The Danish experts have received a sheet with codes for these products after the present mission's final session.

- Intermediate consumption: Before the mission the Danish experts received the results from the new survey of costs within industries covered by SBS. The product groups of the cost survey had been coded by the product codes used in the SUT-environment. A number of items from the cost survey have, however, not yet been given such product codes. They are typically subcontracted manufacturing services that will, as a general rule, need to be coded as the similar finished products. In a few cases it may be appropriate to treat them as separate products.

- A method to adjust input structures from the cost survey to SBS' industry targets for intermediate consumption was presented by the Danish experts. It was shown how the SUT-environment with its macros can be used for adjustment of input structures to the corresponding target totals. Some industries cover units from SBS as well as units covered by other sources, typically GFS. In such cases input structures can need to be drawn up separately for each source using for instance the target total from SBS and structure from the cost survey for one part and target total and structure from GFS for the other part.

- Gross fixed capital formation: The cost questionnaire has a module for investment that should be sent to the Danish experts. The figures for GFCF will, however, to a large extent need to be based on the available domestic supply of investment goods. In many cases the product dimension will be calculated as a residual (what is left of the domestic supply after household consumption and intermediate consumption for certain products).

- Output and intermediate consumption of general government: The Danish experts had received calculations for 2017 and 2018 based on detailed information from GFS (Government Finance Statistics) supplemented by data for schools and kindergartens that are not covered by the GFS-file. These calculations provided some figures whose classifications still depended on the less detailed products used in the national accounts figures published in 2019. Before the present mission – and accompanied by some correspondence between DS and Geostat - the data for 2018 was recalculated in Statistics Denmark. The correspondence tables used to code the data by transaction codes, NA-industries and SUT-products were revised to provide the greater detail of the new system and a number of corrections were made, the most important being a change in the treatment of public individual consumption. The result is an initial distribution of inputs by products, a distribution of outputs by NA-products (sales and output for final consumption) and use of outputs for final consumption by individual/collective consumption and 2-digit COFOG groups. The discussion during the present mission showed that a few changes are still needed i.e. that production of the National Bank of Georgia is not yet added to the figures.

- Output of NPISH: These figures were received by the Danish experts together with the proposal for additional NA-products after the mission. It was here noticed that parts of the outputs ought to be classified as sales revenue (among others the value of ticket sales of theatres, museums and sporting events). A proposal for this reclassification has now been drawn up and will be sent to Geostat.
- Taxes less subsidies on products: The "supply" of taxes on products has been distributed by SUT-products by Geostat. However the distribution of subsidies on products is still missing. Geostat has a distribution by the product classification used in the old national accounts. It is said to be rather uncertain, but realistically we need to use some assumptions. Geostat should send the existing data to the Danish experts. During the mission it was shown that the Excel-environment contains a system of formulas that produces a default distribution of net taxes on products by uses for each product.
- Wholesale and retail trade margins: Geostat has made a sheet with calculations of trade margins by products. It was received by the Danish experts before the mission and used to calculate default margin percentages for SUT-products. These percentages were entered into the Excel environment. It was shown how these percentages were used by formulas that calculate trade margins for each combination of product/use. Some products that obviously should have trade margins have still not been assigned a percentage. The margin-layers of the SUT-system should be reviewed and the missing percentages should be added.
- VAT: The Excel environment contains a layer with VAT-percentages for all combinations of products/uses that shall be assigned a value for non-deductible VAT. During the mission it was shown how default percentages are calculated by formulas based on the average VAT-rate for each product, the share of each product that is supplied by VAT collecting units, the share of the product's VAT that can be deducted as ingoing by VAT-registered units and the share of each industry or use that is registered as VAT-collecting (The units that can deduct ingoing VAT). Here are still some unsolved questions, the most important being whether general government collects VAT on some sales or does deduct ingoing VAT.
- Changes in inventories: The calculation presented in the earlier mission contained some improbable distributions by products. Geostat should now have an updated version that should be sent to the Danish experts. A final version of inventory changes cannot be finished until the other areas at the uses side is populated by values at purchaser's prices.

A more comprehensive description on the tasks discussed during the mission is contained in a note that will be sent to Geostat.

It is recommended that the updated or missing parts needed for the population of the SUT environment are made available as soon as possible and well before the next mission that is planned to take place in in the second half of November? in which we will remove differences between supply and use for each product balance.

Another mission will be needed to – as far as possible - adjust total use within each column of the uses side to their corresponding target-values. Finally supply and use of trade, transport and VAT must be balanced.

Actions needed for moving forward:

| Action | Deadline | Responsible person |
|---|---|---|
| A meeting should be arranged with the National Bank to solve the questions on BOP's corrections for non-observed imports. | As fast as possible! | Geostat |
| The proposals for classification and values of NPISH outputs shall be sent to Geostat. | As soon as possible! | Søren Larsen, Statistics Denmark. |
| Assign SUT-product codes to those cost survey product groups that still need | 15. October | Geostat, with some assistance from Danish |

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|---|---|---|
| them. Send the more or less final result to DS. | | experts. |
| Use target totals from the Target-workbook and structures from the relevant sources to produce initial columns for intermediate consumption within each industry/subsector - add the resulting columns for industries with more than one source. | 02. November | Geostat, with cooperation by Danish experts. |
| Try to distribute subsidies on products by the new SUT-products. Send the distribution to DS (Even if this distribution is still incomplete) | 15. October | Geostat |
| Review the Wholesale and retail trade margins in the right hand side of the trade margin layers of the Excel system. Add missing percentages. Send results to DS. | 02. November | Geostat |
| Review the VAT-percentages at the right hand side and the bottom of the "VATrates" layer of the Excel system. Make proposals for percentages and/or send Basic data on non-observed shares, production below threshold or local legislation that could be relevant | 02. November | Geostat |
| Send the latest version of the product distributions for changes in inventories | As soon as possible | Geostat |

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## EU Twinning Project GE 16 ENI ST 06 18

## 9<sup>th</sup> September – 24<sup>th</sup> September 2020

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

**Sub-component 2.2: Compilation method of Supply – Use (SUT) tables and Input Output (I/O) Tables**

**Mandatory results and benchmarks for sub-component 2.2:**
- Compilation method of Supply-Use (SUT) tables improved and Input-Output (I/O) tables implemented

**Indicators of Achievement (baseline and targets):**
- Availability of Supply Use Tables (SUT) as a statistical product according to SNA08
  - **Baseline:** 2019 – SUT is produced in current prices
  - **Target:** March 2021 – SUT produced in current and constant prices according to SNA08

- Availability of I/O Tables as a statistical product
  - **Baseline:** 2019 – I/O tables are not available
  - **Target:** March 2021 – I/O tables available

**Activity 2.2.C (RS2) "Finalization of the population of figures into the SUT-table before balancing"**

**1. Purpose of the activity**
  - Finalization of the population of figures into the SUT-table before balancing

**2. Expected output of the activity**
  - Use of the cost structure survey for input structures in the SUT
  - Format and enter data for Agriculture, GFS and Household survey
  - Compile other predetermined figures for specific cells and products in the SUT
  - Make initial estimates of the value layers: Wholesale trade, retail trade, taxes, subsidies and VAT
  - Input provided to the ToR of next activity
  - Mission report written
  - Updated road map for sub component 2.2

# Annex 2. Persons met

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