

## **INTERNATIONAL COOPERATION AND CAPACITY DEVELOPMENT IN GEOSTAT**

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### **ABSTRACT**

Our paper will consider the processes taking place at the National Statistics Office of Georgia (Geostat) since the beginning of 2010. The focus will be made on the influence of statistical cooperation with the EU statistical offices and international statistical organizations (including Eurostat, in particular) and ENPI members.

Starting from January 2010, a new Law on Statistics elaborated with the support of the Eurostat became effective. The Law guaranteed independence of Geostat as a legal entity of public law (previously being a Department within the Ministry of Economic Development), providing for more flexibility in planning and operating activities.

The change in legal status led to Geostat's more intensive activity in its relations with foreign statistical offices and international organizations with the interest in statistics.

The activities involving international cooperation can be grouped into 3 main directions: 1) evaluation and strategic planning (World Bank support with NSDS, Eurostat and IMF mission assessments), 2) technical assistance aimed at supporting practically all areas of Geostat's activities in the medium term (USDA, Sweden statistics/SIDA, Dutch CBS, EU/TAIEX and other institutions); and 3) support at the operational level (UN institutions, Millennium Challenge Georgia Fund, USAID, World Bank and others).

The immediate and indirect outcomes of the international cooperation have a crucial influence on the main priorities of Geostat: increasing credibility of statistical information among its users, developing professional competence of Geostat's personnel, and strengthening relations with other producers of statistical information in the country.

A short discussion of the most recent example of cooperation with Armenia in the field of International Comparison Program will be given, with specific positive outcomes from such cooperation.

General implications from international cooperation will be summarized.

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## SUMMARY

The present paper attempts at briefly describing the role of international cooperation in the development of the statistical agency in Georgia. The support of international community has led to visible successes in the process of implementing standard statistical methodologies, improving scope of statistical data and observing periodicity and timing of data dissemination.

At the same time, main challenges hindering further development are discussed. The necessity of wider coordination of activities related to statistical production is underlined, with the role of international organizations remaining crucial in this process.

### 1. Background

Collapse of the Soviet Union and abolishment of the central planning agency (Gosplan) led to creation of new states with independent social and economic institutions, including statistical systems. Drastic contraction of the Georgian GDP (estimated to fall as much as 70% relative to the 1990 level) was aggravated by a civil war and political unrest in the country. As a result, the country suffered from an acute economic and social crisis, migration processes accelerated, while hyperinflation of the transitory national currency (“kupon”) exceeded 10,000%. In this situation the conditions for operation of the Georgian statistical office (initially called Social and Economic Information Committee) were far from favorable.

Economic stabilization was achieved in mid-90s with critical assistance of the international organizations. Along with economic and social reforms (currency reform, price liberalization, etc.), the reforms in the area of statistics were also initiated.

### 2. Independent Operation of the Statistical Office

As it was already mentioned, the Department of Statistics (DS) found itself in an absolutely new situation in the beginning of 90s. Difficult economic situation in the country conditioned availability of very limited resources for the DS, sharply narrowing the scope and scale of

statistical production. On the other hand, the functions of the DS’s predecessor, the Central Statistical Division, used to be completely different in many aspects, as hundreds of employees were accustomed to i) full coverage data in different economic and social spheres of statistics, with very high level of formal compliance; ii) focus on data-collection-related activities with less emphasis on data analysis (partly due to the fact that large amount of data was processed centrally in Moscow. The original questionnaires of the 1989 census, which were sent to the central statistical office of the Soviet Union and never

received thereafter, can be cited as an example); and iii) supervision functions of different public agencies, where statistics employees were regularly sent to monitor and audit certain indicators.

In this situation it was obvious that the newly established DS required significant assistance. Support in establishing and improving statistical methodologies and business processes came from different international organizations and through bilateral assistance. Support rendered by the IMF/World Bank, the UN, and the EU was critical in the first years (namely, in business statistics, national accounts, prices), as the assistance from the UK's DFID (particularly active in social and demographic statistics), the Dutch government, and other donors followed.

Active international cooperation of the DS with its partners continued after the Rose revolution in 2004. Apart from technical assistance (regular visits of missions, support in staff training, etc.), significant amounts of money were invested in statistical surveys and building of infrastructure (the UN agencies, the EU, and the World Bank are to be mentioned in particular). Still being significantly underfinanced relative to other government agencies, the DS saw these financial injections as an important source for supporting its statistical operations (e.g. specialized surveys for production of national accounts data supported by the EU/WB/UNDP). The level of donors' financial assistance to the Geostat only in the form of grants with respect to budget financing during 2005-2010 oscillated between 5-50 percent! (See: Table 1).

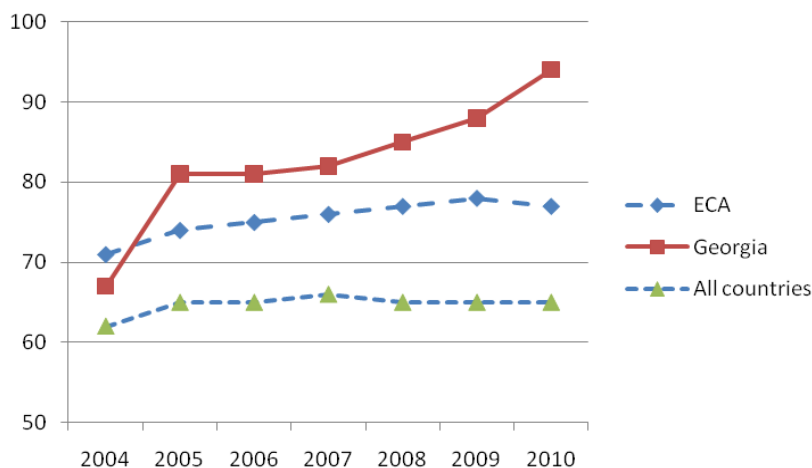
**Table 1.** Grants and Government Financing of Department of Statistics/Geostat in 2005-2010 (GEL thousands)

	2005	2006	2007	2008	2009	2010
Government Financing (1)	2,180	1,947	3,006	4,672	4,332	3,215
Donors' Assistance (2)	318.7	652.8	124.7	955.6	1,167	1,637
Ratio (2):(1)	14.6 %	33.5 %	4.1 %	20.5 %	26.9 %	52.4 %

Positive tendencies (accumulated experience in the DS, increased government financing, closer cooperation with international organizations) clearly translated into tangible improvements in statistical capacity. According to the World Bank's statistical capacity indicator measuring progress in quality of statistics among the developing countries, Georgia's overall capacity score rose from 67 to 94 (out of a maximum of 100), posting one of the fastest growth rates among the developing countries<sup>1</sup>. In 2010 Georgia became member of the IMF's Special Data Dissemination Standard (SDDS), which served as another proof of progress made.

<sup>1</sup> See: Chapter 2 in *Strategy for the Development of Statistics in Georgia (NSDS)*.

**Chart 1.** Statistical Capacity Indicator for Georgia and Other Developing Countries in 2004-2010



*Source: World Bank, taken from NSDS.*

A recent example of a new form of international cooperation represents the Geostat's bilateral comparisons with the Armenian statistical office in the framework of the World Bank's International Comparison Program (ICP). Being no longer part of the CIS, Georgia entered the 2011 round of ICP through bilateral comparison with the neighboring country. Apart from the fact that bilateral cooperation with the Armstat ensured Georgia's inclusion in the Program, bilateral cooperation proves to be very useful in terms of capacity development as well. In contrast to the 2005 round, when the staff's activities were mostly related to price collection and other technical work, the bilateral price validations and comparisons fully performed by personnel of the two agencies (with support of international experts) represent the best practical exercise possible in this area.

### 3. Current Situation and Future Challenges

Along with positive developments which took place in the recent years, the government of Georgia sought further improvement in the area of statistics. In this regard, with the assistance of the Eurostat, a new Law "On Official Statistics" has been elaborated and adopted in December 2009.

The Law stipulates institutional independence of the Geostat, which became a non-governmental legal entity of public law (LEPL). The Geostat (National Statistics Office of Georgia) is governed by an 8-member Board, with 3

representatives from the government (Ministry of Finance, Ministry of Sustainable Development and the National Bank) and 5 non-government members, including the Chairman which simultaneously acts as the Executive Director of the Geostat.

A new institutional form of the Geostat provides more flexibility in the context of international cooperation as well. The Geostat’s permanent staff are no longer civil servants – a status that used to limit their involvement in additional projects. According to the new Law, the Geostat is entitled to conduct practically any type of survey or/and research for private companies or international organizations.

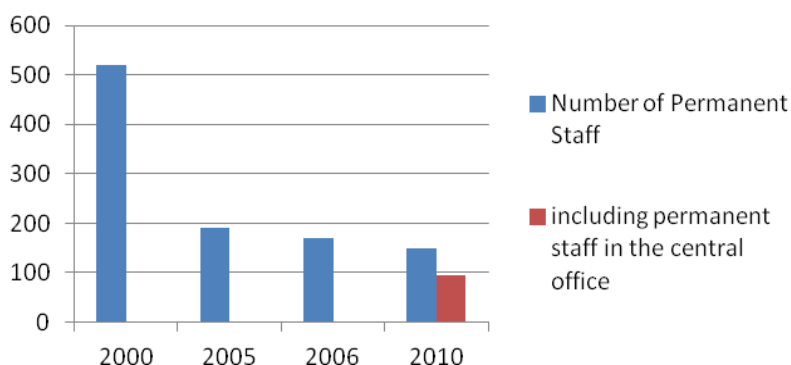
However, the legal independence of Geostat does not automatically resolve all the existing problems which still remain in place and which require more significant efforts, often beyond the immediate area of activities related to statistical production.

The issues which stand in front of the Geostat and not new, as a lot of them have been accumulated over the years:

*a. The number of statistical personnel and physical infrastructure*

The Central Statistical Division of the USSR comprised more than 1000 employees, but their functions became largely irrelevant with respect to the post-Soviet requirements. However, a drastic decrease in permanent staff occurred in the last 10 years saw their number shrinking to a critical level (See Chart 2).

**Chart 2.** Number of Permanent Staff in Geostat



Steady growth of budget revenues as well as efforts to reduce the government sector in the recent years led to a significant increase in salaries in the country’s public sector; however, the salary growth was accompanied by a permanent

increase in workload, as new requirements created more demand for public services, including demand for statistical indicators.

Decrease in permanent staff particularly affected regional offices (practically involved only in data collection activities), while resources needed for infrastructure development (e.g. IT development to compensate for a smaller number of regional personnel) were far from being sufficient.

*b. Attracting and keeping skilled statisticians*

To a certain extent, the Geostat is theoretically able to mitigate a lack of personnel by means of hiring non-permanent employees on a contractual basis. However, there are two main reasons as to why the Geostat is still not able to compete on the market.

The most obvious reason was and remains the *relatively low level of salaries* in the Geostat. Recent data <sup>1</sup> showed that the average salaries of the Geostat's permanent staff constituted only 54% of the same indicator for 5 Ministries. This implied that in order to cover the salary gap, the relative increase in Geostat's salaries was to equal 23% annually over a four-year period<sup>2</sup>. The expectations that a semi-autonomous statistical office will generate sufficient own revenues, similar to other LEPLs in the country, failed, as the main products of Geostat have the nature of public goods.

Leaving aside the issue of remuneration, however, there exists another significant problem, which is much more difficult to tackle: the *undergraduate education programs* remain to be incompatible with the standards needed for a modern statistical agency. There are basically three main education areas which could potentially provide graduates for the statistical agency in Georgia. However, two directions of these three are mainly irrelevant at this moment, as i) strong Departments of Mathematics in state universities producing mathematicians with a fairly good theoretical level of competence in line with international standards (legacy of a strong Soviet school) have a relatively small number of graduates, and ii) expensive private universities giving also a fairly good undergraduate education mostly in the areas of economics and business

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<sup>1</sup> See NSDS, Annex 2.

<sup>2</sup> The outlook for 2012 is more positive, as the government promised at least a 30% increase in salaries.

largely see their graduates joining banks and other types of private businesses upon completion<sup>1</sup>.

Thus, there remain mostly the graduates of so-called “economic statistics” programs (from state universities), many of which joined the Statistics Department over the years. But, as it was mentioned above, these undergraduate programs have been mainly influenced by the Soviet legacy (focus on mathematics/physics departments, full coverage statistics) and do not provide adequate instruction of statistical methods and techniques required for sampled surveys<sup>2</sup>.

#### 4. International Cooperation and Current Challenges

As shown above, the support of international organizations, although as large as it has been, cannot fully solve deeper problems. Advocating for more resources to Geostat has proved to be a difficult task. As it was mentioned, the government shows more willingness to address the issue, but it is likely to take some time until stable financing will allow for longer-term planning. The preparation of NSDS was an important step in this direction since it provides the stakeholders with a full picture of objectives and existing gaps.

Attraction of skilled staff implies that it is *relative* remuneration with respect to other government agencies that matters. However, it is not only competition that affects availability of needed personnel in the statistical area. More support from international organizations and partner countries is needed to tailor the existing curriculum at the universities to the real needs of statistics – a long-term task which required essential efforts from different stakeholders within and outside the country.

It is becoming clear that in order to achieve further progress in the statistical area, actions beyond the immediate scope of Geostat’s activities need to be made. A wider approach to the sphere of statistics is required, where attention will be paid to formation of skills, involvement of different government agencies and ensuring the activities are properly budgeted. And without strong stakeholders –

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<sup>1</sup> These universities often form cooperation agreements with large businesses (mainly banks), which also provide student loans. Upon completion of the programs students are practically certain of obtaining employment.

<sup>2</sup> Trainings in these areas provided by the international organizations (the IMF and the UN workshops to be mentioned, in particular) are very useful but they cannot replace basic undergraduate education.

first of all, international organizations – the Geostat is not likely to succeed to coordinate the general approach to statistical data production.

### **REFERENCES**

1. Strategy for the Development of Statistics in Georgia, Tbilisi 2011.
2. Law of Georgia “On Official Statistics”, December 2009.