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Developing economies and their business registers

Paper presented by the ONS, UK[1]

Introduction

1. Business registers support the economic surveys that form the basis of the national accounts of a country. Just as the national accounts require comparable coverage of economic activity and high (and measurable) quality, so do the business registers that underpin them.

2. In a centrally controlled economy, relatively few economic units generate most of the output. Measuring the output exhaustively of these key players has been considered sufficient. The move to market economies has resulted in the rapid growth of small businesses that make an important contribution to economic activity. The use of the "census" approach, whereby enumerators record businesses, is generally impractical. As such national statistical offices turn towards administrative systems to identify and monitor business units.

3. The importance of the creation and maintenance of a business register for statistical purposes has been recognised within the European Union. The Regulation on the harmonisation of business registers for statistical

[1] John Perry, UK Office for National Statistics

purposes that came into force in 1993 has established the principle of consistent use of administrative registers and has specified the structure of a good business register. Separate Regulations cover the definition of statistical units and the industrial classification to be used for classifying these units. These standards are consistent with the European System of Accounts and provide the basis of a Regulation on structural business statistics. The business register contains sensitive information about business structures and activity that must be offered sufficient protection. The statistician must also be aware of the burden that is placed on businesses and design surveys efficiently.

4. It is against this background of standardisation that other countries in Europe are developing their statistical systems. It is natural to call on expert advice, to study relevant statistical documents and to expect to be exposed to new ideas. This accelerates the implementation of the process of change while reducing the associated risks. Given the speed of transition and the major social and economic change being experienced, the rapid transfer of "know how" is an essential ingredient of a developing economy.

The organisation of business registers in the UK

5. The UK operates a decentralised government statistical service (GSS). This covers all social and economic statistics. At the centre is the Office for National Statistics (ONS), which is responsible for compiling the national accounts and other key economic statistics. Other government departments also have specific responsibilities for collection and dissemination of economic statistics. The Ministry of Agriculture, Fisheries and Food is responsible for the collection of statistics on agriculture. The Department of the Environment, Transport and the Regions deals with construction and building materials and transport statistics. The Department of Trade and Industry is a user of statistics relating to businesses and is responsible for small and medium sized enterprise (SME) statistics. Through the Companies House Agency, it is also responsible for registration of companies. The Department for Education and Employment has joint responsibility (with the ONS) for employment statistics. Customs and Excise runs the Value Added Tax (VAT) collection system, the associated Intrastat system and the collection of other trade statistics. The Inland Revenue Department is responsible for the employee, self-employed and corporation tax systems.

6. The UK comprises England, Wales, Scotland and Northern Ireland. Although the regional accounts are compiled by the ONS, there are major data collection requirements by the Welsh and Scottish Office and the Northern Ireland departments.

7. Each department has its own responsibilities, which are coordinated through government statistical service committees. The ONS also provides some

interdepartmental functions in relation to business statistics, covering statistical methodology and business classification systems. The ONS business register is aptly named the "Interdepartmental Business Register" as it is available for use by other government departments. The ONS also conducts surveys on behalf of other government departments, for example on the production of building materials.

8. The UK is an active member of the European Union (EU). The statistical office of the EU, Eurostat, has a European-wide role on assistance on business registers and on the national accounts.

Technical assistance and business registers - the work of the UK

9. The GSS has a vision for international statistics in which quality statistics are used more effectively in the policy making processes of national government and international bodies. It sets this out in "UK Statistics in the World", its international report for 1996-7. It sees a future in which confidence in official statistics is raised throughout the world allowing every citizen to assess economic and social performance more accurately. In order to pursue its international goals, the GSS has a strategy consisting of five strands:

- understanding the issues;
- focusing UK efforts;
- participating in decision making;
- building allowance; and
- providing technical assistance and learning from others.

10. One of the major challenges facing the GSS is to match shrinking resources with the increasing demands placed upon it from a variety of sources. It therefore needs to ensure that there is a significant level of congruence between national and international needs. The UK seeks at all times to build partnerships, focusing first on the knowledge that already exist and second where the advantage lies in filling any gaps. In the context of this paper, this means assisting both developing and transitional countries to build a lasting capacity to provide the essential information required for effective economic and social policy making and monitoring, and assisting central and eastern European countries to meet the criteria for joining the European Union.

11. In order to shape the development of the provision of training, advice and assistance to central and eastern Europe, developing countries and elsewhere, the UK actively participates in international fora such as the UN Statistical Commission, Eurostat working groups and steering committees and

other international conferences and meetings. An international section within the ONS provides a general coordinating role, although the Department for International Development (DfID) takes the lead on technical assistance in the field of statistics. The UK participates actively in the DfID Development Assistance Committee and in informal discussions on systems for international reporting of aid, including measures to monitor the targeting and impact of aid.

12. The UK aid programme, the "Know How Fund", and other funding sources such as the EU's PHARE (Poland-Hungary Assistance on the Restructuring of Economies) and TACIS (Technical Assistance of the Commonwealth of Independent States) programmes are the main channels through which GSS assistance is provided. In 1996 and 1997, there was a large increase in the scale of GSS involvement: around one activity a week was carried out on UK programmes in Central and Eastern Europe alone. Projects are designed to respond to recipient country needs with due attention paid to assisting organisational and management development programmes as well as providing technical statistical advice in order to promote sustainable capacity building.

13. The business register is a central part of the statistical infrastructure. The UK has been taking a leading role in developing and implementing business registers in line with EU standards. The DfID has supported three programmes:

- visits to the UK by national statistical offices to examine the procedures that operate in the UK;
- a regular training course (or workshop) on sampling methods for business surveys; and
- development projects with specific countries, currently with Hungary and Croatia, on business registers.

14. The UK view is that the country itself decides on a project. Help is provided in the form of technical assistance but the country "owns" the project. The DfID has a coordinating role. It does not itself provide the statistical input. For this it looks towards professional staff within the government statistical service. While technical assistance can merely take the form of providing information, it is better focused if it relates to specific developments. The DfID has moved towards formal sub-projects (eg for the business register) with specific objectives, resources and time-scales.

15. As all national statistical offices are under pressure themselves to change their systems and are at the same time facing increasing pressures on their resources, it is important that technical assistance is coordinated effectively. Eurostat plays an important coordinating role but, in the end, it is up to the national statistical offices to allocate their scarce time to this important work. On business registers, Eurostat has taken five initiatives. It has:

- set standards for member states that must also be applied by others seeking to join the EU;
- established a coordinating role for business registers throughout Europe;
- developed and run training courses for European statisticians;
- been running multilateral projects, primarily the panel survey of newly created enterprises in central and eastern Europe; and
- agreed and funded partnerships between EU countries and developing economies for providing technical assistance.

16. When evaluating the assistance of the donor countries or institutions it is worth distinguishing between technical assistance and installation of systems. The redesign and development of a new statistical register is one of the biggest challenges in the life of the statistical service. Obviously none of the countries offering technical assistance might be in the position to undertake to implement such a large system themselves. Equally the countries receiving technical assistance wish this to be their own project but with expert advice, and with the themselves doing their own design, programming and implementation. This implementation is a major task and the necessary resources are generally underestimated by the statistician.

17. The UK operates closely with Eurostat in ensuring that effective technical assistance is provided efficiently. Eurostat itself works with the UNECE to focus multilateral programmes. Less formal work goes on in the annual international roundtables on business survey frames. The most recent was in Tokyo: the 1998 session is to be in Helsinki. A common theme of recent meetings has been the impact of globalization on business statistics in general and on the business register in particular. Businesses are operating more and more at a global level. This is particularly true within the EU. Thus, common methods and standards are expected to become more and more important.

Infra-structure issues: a Hungarian example

18. In Hungary, the ONS has been involved in four coordinated projects involving: the organizational structure of the statistical office; the development of statistical training; the development of business survey systems; and business registers. A key aspect has been the development of project management systems. These operate at both the organisational (management development programme) and at the specific project development level. The specific project tools are not important, although the principles of controlling the scope, resources and timetable are common features.

19. The objective has been to assist the Hungarian Central Statistical Office (HCSO) with the adoption, in a sustainable fashion, of methods and techniques widely used in market economies to support the production of statistics. The expectation was that this exposure would make it easier for the HCSO to produce statistics in conditions where coverage had to be

extended to include new private businesses. Specifically, part of the assistance was designed to help them plan and build a business register suited to private sector conditions and to carry out and process sample surveys required to replace the full censuses of government corporations.

20. Between 1991 and 1997, some twenty-five activities have taken place in this area of work. Most have been study visits during which, typically, between one and six experts from the HCSO made visits to the UK. These usually lasted one week, sometimes longer. Visitors were based at a number of institutions:

- UK government departments, often the ONS or its predecessors but also other departments having statistical responsibilities, eg the Scottish Office, were often the hosts. The input typically consisted of informal presentations by UK staff of how they carried out the particular activity being studied, followed by discussion of the situation in Hungary. Areas studied in this way were business registers, sampling schemes, data collection and processing procedures.

- At the UK Civil Service College, universities and businesses providing specialised computer training, formal training courses were followed, often specially designed to meet the needs of the participants. These included training in the use of standard software, eg SAS, ORACLE and in computer networks.

21. The remaining inputs were advisory visits to Hungary by UK experts, both statisticians and software trainers. Some of the activities referred to above were funded by the EU PHARE programme. The "know-how" on the redesign, implementation and operation of a register that meets the requirements of a market economy and the EU regulations has been transferred to the HCSO. In this context, Eurostat made a very valuable contribution by providing methodological papers seminars and courses. The roundtable group had a very important role in this respect. In bilateral relations, Statistics Canada's early assistance was also very stimulating.

22. A business register is now in place at the HCSO and is being used in the selection of samples for business surveys. However, further development work remains to be done to develop the associated legislative framework and systems for updating the register. Staff now have a good understanding of the techniques appropriate for producing statistics in a market economy. Sampling methods are now in use at the HCSO and statistics are seasonally adjusted. The adoption of international classifications is a significant step to achieving international comparability of HCSO statistics. These achievements are complemented by the availability of modern computer equipment. One negative aspect should be noted. There were people assigned to the project from the side of register, informatics and HCSO users but they were engaged in so many other projects that it could not be efficient. This is a useful lesson for others in the same position.

A logical framework for project management - including a Croatian example

23. In Croatia, the UK input has been more focused on specific development of the national accounts, the supporting survey system and the business register. An important role of the technical assistance is to encourage communication between the different parts of the statistical office, especially between producers and users.

24. The DfID is using a tool for project management to ensure that countries receive assistance for specific achievable purposes. Table 1 shows this "logical framework". The logical, or project, framework is an important tool for helping to design and manage projects. It provides a synopsis of the main features of the project and the means by which progress will be judged. It consists of the sixteen box matrix illustrated in table 1, which shows the cause and effect relationships between the overall goal of the project, its immediate purpose, its outputs, and the activities needed to achieve the outputs.

25. This tool can be illustrated through the example of the redevelopment of the business register in Croatia. It is not important to show times and costs. These are shown as "[]" in table 2. The table shows how the general framework can be applied in a specific case.

A tool for project management

26. While a logical framework is essential for the overall planning of a project, more detailed day to day tools are needed to ensure that the output is delivered on time, within budget and according to specification.

27. One such tool is PRINCE ("projects in a controlled environment"), which is used widely in the UK for development projects involving computer systems. It specifies the documentation required and the control mechanisms. Although designed for computer system redevelopment, it has wider applicability. Looking specifically at the business register, any redevelopment of the computer system is likely to be associated with changes in clerical procedures. A typical system redevelopment such as that planned in Croatia (see the logical framework in table 2) would involve:

- computer hardware procurement;
- setting up communications systems;
- programming the register application;
- setting up the clerical systems to support the computer system; and
- interface systems for users of the register, specifically for statistical inquiries and possibly for analysis.

Each of these could be thought of as separate projects or as sub-projects within a single development.

28. The key elements in starting a project under PRINCE are the:

- project board; and
- project initiation documentation.

29. The project board comprises a chairman supported by at least one senior user and one senior technical (information systems) member. The board appoints a project manager, and possibly separate managers for each sub-project. Monitoring of progress is undertaken by a project assurance team comprising a business assurance coordinator (BAC) a user and a technical person. The BAC maintains the documentation for the project and ensures that meetings take place and that any exceptions are recorded. The user ensures that the user requirements continue to be met. In this respect, it is important to recognise that the user needs may well change substantially during the project. The technical person monitors progress on the computer systems. Each member has a well-defined role and responsibilities. Board meetings are thus well-focused.

30. The project initiation document covers the key aspects of the project. It also provides a detailed specification for the first stage of the project. It must include:

- terms of reference;
- procedures to determine that the project is complete;
- a section on relationships with other projects;
- assumptions and an assessment of the risks;
- project board members and responsibilities;
- a technical plan, with an outline of all stages and details for the first stage;
- a project resource plan;
- a quality control procedure;
- project timetable controls; and
- standards, methods and training requirements.

31. It is helpful to think of a project as a combination of a number of **products**, eg the installed computer hardware or the on-line investigation

system, rather than a series of tasks to be done. Some products can be developed independently or in parallel, while others are on a critical path, requiring other products to be available before they can be developed.

32. As the project develops, the user requirements will change. It is vital that requests for change are dealt with regularly. It is easy to refuse to adapt the system requirement but, with a business register, it is important to bear in mind that the system exists to provide a service to external customers (usually inquiry statisticians). Producing a perfect system on time and within budget that does not meet current user requirements is a pointless exercise. On the other hand, it is also natural to want to help the customer by taking on all changes. However, it is important to ensure that resources are available to implement the change and to consider the impact of the change elsewhere in the system. PRINCE provides the controls to ensure this is done systematically.

Measuring success

33. This paper looks at the subject of technical assistance from the viewpoint of the donor. Success will be measured by the transfer of "know how" and through the controlled implementation of change. Although difficult to measure, reductions in demand for technical assistance can be taken as an indication of successful transfer of knowledge. The use of the logical framework and formal project control tools can provide evidence that change has been effected.

Table 1 The DFID logical framework

PLAN DOWN ↘

Narrative summary	Measurable indicators	Means of verification	Important assumptions
Goal What are the wider problems which the project will help to resolve		What sources of information exist, or can be provided cost-effectively?	**(Goal to supergoal)** What external factors are necessary for sustaining objectives in the long run?
Purpose What are the intended immediate effects on the project area or target group? What are the expected benefits (or disbenefits) and to whom will they go? What improvements or changes will the project bring about?	What are the quantitative measures, or qualitative evidence by which achievement and distribution of effects and benefits can be judged? (Quantity, quality, time)	What sources of information exist or can be provided cost-effectively? Does provision for collection need to be made under Inputs-Outputs?	**(Purpose to goal)** What conditions external to the project are necessary if the achievement of the project/s purpose is to contribute to reaching the project's goal?
Outputs What outputs are to be produced by the project in order to achieve the project purpose?	What kind and quantity of outputs, and by when will they be produced? Quantity, quality, time)	What are sources of information?	**(Output to purpose)** What are the factors not within the control of the project which, if present are liable to restrict progress from Outputs to achievement of project purpose?
Activities What activities must be undertaken in order to accomplish the outputs and when?	**Inputs/resources** What material/equipment or services (personnel etc) are to be provided at what cost over what period by: • DFID • Other donors • recipient	What are sources of information?	**(Activity to output)** What external factors must be realised to obtain planned outputs on schedule? What decisions or actions outside control of DFID are necessary for inception of project?

THINK UP ↗

Table 2 Croatia: Central Bureau of Statistics (CBS)
Project: Full Redevelopment of Business Registers System
Project period: October 1997 to March 1999

Project Structure	Measurable Indicators	Means of Verification	Important Assumptions
Goal: Improved and more coherent national economic statistics through a business register used for all key economic surveys and for describing business demography.	New register is accepted and used by statistical inquiries. Business demography used by government.	Evidence of use through CBS/DfID contact with Government and with Inquiry Sections	Statistical inquiries sign up to using the new system
Purpose: Create a business register: To provide a basis for improving coherence of national economic statistics.	Key users report confidence in the statistical register	Independent confirmation through national accounts	Staff fully trained to operate, maintain and develop clerical and computer systems
To achieve consistency with EU member states.	Demonstrate convergence to EU	Eurostat questionnaire	Policy requirement to apply EU standards
To improve the range of information on business structures.	Publication	Check of customers	Resources provided by statistical office to maintain natural persons on register
To provide a tool for integration and classification of administrative data.	Improved input to the statistical register	Check of classification and coverage	
Outputs: 1. New methodological framework (including organisation) for statistical business registers.	User requirement specification document - March 1998	Quality assurance review	Appropriate organisation and clerical resources in place
2. New statistical register computer system incorporating statistical inquiry sampling and analysis of business demography.	Users accept outputs - March 1999	Independent confirmation with users	Appropriate consultancy resources available when required
3. New administrative register computer system with unchanged outputs for administrative users but with improved quality and coverage for the statistical business register.	Administrative users unaffected. Statistical register accepts outputs - September 1998		Continued funding for operation of system after project

Activities:	Inputs/ resources		
1. Consultancy and training in relation to development of methodological framework.	[ ] days training (UK) [ ] days consultancy (Croatia / correspondence) [ ] months register staff		Funding of systems and IS staff Qualified IS staff available throughout project
2. Determine policy for transition to new statistical system.	Directors		
3. Procurement of computer system for statistical and administrative registers.	[ ] months IS staff for benchmarking and procurement cost of computer - [ ]		
4. Development of statistical register systems consistent with the methodological framework	[ ] years IS staff		
5. Develop user access (including communications).	[ ] months IS staff		
6. Develop system for administrative register.	[ ] months IS staff		
7. Improvement of quality and coverage of the administrative register.	[ ] months clerical staff		