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**The experience of the State Department for Statistics of Georgia in Conduction of the
Sample Surveys based on the entire Business Register**

Supporting paper submitted by the State Department for Statistics of Georgia¹

1. The transitional period or the period of social-economic transformation is characterized by certain instability. In these circumstances the economic environment becomes strict to enterprises, especially when the autonomous economic entities have the private motivation for entrepreneurship. The competitive environment determines the type of economic activity.
2. In the dynamic economic environment the enterprises tend to change requisites such as the address, name, organizational-juridical status of the enterprise and structure.
3. The structural changes imply the merge, split, etc. of the companies. The companies have difficulties in adopting the economic environment, which becomes the reason of their bankruptcy. Most of the 65,000 enterprises registered in the country are not functioning, though they exist de facto. The main characteristics of post-socialist environment in the countries in transition apply to Georgia as well.
4. The peculiarity of the transited economy is reflected in the statistics as well. The updating of the business register is complicated by these peculiarities; therefore the conduction of the sample surveys becomes more actual.

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5. Georgian business register that is the Register of the enterprises and organizations is the principal register of the country where the juridical and physical entities are registered as well as the representations and branches involved in different activities. The register is based on the major concepts of identification.

6. The State Department for Statistics of Georgia has been developing the Register since it was established in 1994. The accepted basis for its formation was the national classifier based on the NACE classification.

7. It is important to mention that in 1990 the business register covered only 6-7 thousand entities, which increased to 65000 thousand by the 1st of July.

8. The business register contains more than 20 characterizing indicators for each entity. It is unique and enables us to:

- group the economic entities by the type of activity, organizational-legal status, by the type of ownership administrative-territorial entity, number of employees and other;
- determine those foreign partner countries, which are involved in the economy of Georgia;
- Provide other informational services to government authorities.

9. The main objective of the entire Georgian Business Register is to plan and conduct the statistical surveys. The State Department for Statistics of Georgia conducts the annual census survey for large, medium and small businesses and monthly sampled surveys.

10. On the basis of census survey of businesses the Department updates the Business Register.

11. There are two forms of updating. The first relies on the external sources of information such as the tax register, municipality, customs, licensing services and other sources.

12. The second form is based on internal sources of information such as the informational sources of the Department. The most favourable way of updating the business register is the incorporation of the results obtained from the integrated statistical forms.

13. The legal basis for the activity and functions of the Business Register is determined by the Statistics Act of Georgia and the Entrepreneur's law. Until recently there was an operating law on administrative infringements article 177² which restricted the establishment of bank accounts and the conduct of financial operations without the necessary statistical code. Nowadays the government has simplified the procedure.

14. The above-mentioned law was adjusted and the entrepreneur registers its activity and business in court, which sends monthly information to the Department on newly established businesses. Then the statistical office contacts the established companies in order to include them in Business Register.

15. The transitional period attracted many individuals to establish the businesses. During the last seven years the number of companies increased 7-8 times. Individual entrepreneurship expanded. In these circumstances it becomes impossible to obtain and characterize all the

entities (to receive the comprehensive information). Therefore the role of sample survey is becoming important.

16. The State Department for Statistics of Georgia surveys those fields of economy, which are sensitive to shadow (non-observed) economy. The sampled surveys conducted in the recent period resulted in the following:

- surveys of restaurants revealed that the declared turnover of restaurants 3.7 times is underreported
- actual realised business is 3.1 times higher than declared by companies
- construction sector production 2 times exceeds that the reported volume
- reported 40% of individual traders are added to the government registration

17. The sample surveys were conducted in other spheres such as the production and consumption of tobacco, health care service, and education. It is important to mention that the sample surveys are the basis for the household and labour force surveys, which are the indirect tools of estimation of business activity.

18. Georgia has many administrative territorial units (85 regions and cities).

19. The minority of the businesses located in these regions does not provide the reliable estimation. Therefore the sampling method of the survey is adequate only when there are large number of entities in cities, capital and other regions.

20. The sample size is 10%, this sample size provides the reliable estimation, though according to the investigations it is more advised to increase the sample size to 20% in regions. The confidentiality of information should be considered when the sample is determined. Especially it concerns to the publication of data. The government authorities are discussing the new model of administrative order.

21. The State Department for Statistics of Georgia is carrying out the preparation to conduct the sample survey in regions in order to achieve the better estimations of business activity in Georgia.

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