



**Economic and Social
Council**

Distr.
GENERAL

CES/2005/28
19 April 2005

ENGLISH ONLY

STATISTICAL COMMISSION and ECONOMIC COMMISSION FOR EUROPE

CONFERENCE OF EUROPEAN STATISTICIANS

Fifty-third plenary session
(Geneva, 13-15 June 2005)

RESPONDENT BURDEN IN GEORGIA

Supporting paper submitted by the Department for Statistics of Georgia*

INTRODUCTION

1. The informational system is an essential basis for the development of democracy and civil society. Global events in post socialist countries during the 20th century and the beginning of the 21st century (transition to a market-oriented economic system, the development of civil society and democracy) brought about fundamental changes in the fields of accounting and statistics. During the last 10-15 years, the ongoing reformation in these two fields has been based on international standards as well as Georgia's own experience and national customs.

2. The most significant basis for reform in the field of official statistics is the Fundamental Principles of Official Statistics, recognized by countries worldwide. Resolution #C(47) of these principles was adopted by the plenary session of the 47th meeting of UNECE [United Nations Economic Commission for Europe] in the Palais des Nations (Geneva, Switzerland) on 15 April 1992. On 14 April 1994, the same principles were approved by the UN Statistical Commission, with a revised version of the introduction. It should be noted that the above-mentioned resolution is based on the European Convention for the Protection of Human Rights and Fundamental Freedoms, Helsinki Final Act (Helsinki Conference for Security and Cooperation in Europe), Bonn Final Declaration (Bonn Conference on Issues of Economic Cooperation), Paris Charter, International Statistical Institute Declaration of Professional Ethics and other International Acts.

3. According to these principles, the rights of respondents must be protected. The confidentiality of primary personal data must be ensured, while respondent burden is regularly

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reviewed.

4. In modern societies, the demand on information markets is continually growing. All users (public administrations, governmental and self-governmental institutions, scientific research institutions, NGOs (non-governmental organizations) and mass media) require all types of data. Problems are mainly related to various official authorities that collect data, and that do not always coordinate their activities. Therefore, some indicators/variables are duplicated in questionnaires from tax, social security, statistical and other authorities. Moreover, some indicators have different definitions in different questionnaires. This does not encourage respondents and increases the non-response rate. Thus, priority should be given to studying respondent burden and defining its optimal size.

5. As a first step, respondent burden and optimal respondent burden must be defined.

- **Respondent burden:** totality of activities to be implemented regularly by the respondent according to requests of statistical, tax, and social security authorities, scientific-research institutions, mass media, NGOs and others (e.g. so-called `informational tax`).
- **Optimal respondent burden:** size of the burden that can be implemented by respondents in normal conditions.

6. Below see the formula for calculation of informational (respondent) burden coefficient:

$$C_{IB} = \frac{S + T + O}{E + H} \quad (1)$$

where,

C_{IB} - Informational burden coefficient;

S - Number of indicators/variables in statistical survey questionnaires;

T - Number of indicators/variables in tax reports;

O - Number of indicators/variables in other regular reports;

E - Number of persons engaged in data compiling;

H - Worked hours on data compiling.

7. The sum S+T+O reflects the requirements of official authorities, scientific-research institutions, mass media, NGOs and others on the economic, social, demographic and ecological situation of the country and its regions. The primary source for compiling the statistical data is the respondent (enterprise, household or others). In the case of enterprises, however, data for own informational support (internal use) should be separated from data (so-called `informational tax`) by period (monthly, quarterly, annually) provided to the tax, social security and statistical authorities and others (external use). It goes without saying that it is impossible to provide the required data for external use without producing data for own informational support and needs (for example, accounting).

8. Today in Georgia, respondents provide tax authorities with data through 25 various types and periodicity of documents (about 700 indicators/variables in total), while statistical authorities use 115 various types and periodicity of statistical survey questionnaires (6890

indicators/variables in total).

9. The creation of information resources (at micro as well as at macro levels) is regulated by the Tax Code of Georgia, Georgian Laws `On Statistics` and `On Entrepreneurs`, and other normative acts. Georgian legislation defines rights and liabilities for respondents and official authorities concerning access to information resources, but implementation of legal acts requires further perfection. In the opinion of the Department for Statistics of Georgia, issues of regular data collection by various official authorities should be regulated by the Georgian Law `On Statistics`.

10. In formula (1), the sum E+H expresses the number of persons engaged in data compilation and the hours worked. How can this issue be studied?

11. The Department for Statistics of Georgia offers to conduct a special survey of entrepreneurs by using specially prepared interviewers. An example of this survey is laid out below.

i) Average time needed for filling in per questionnaire:

- 1 man-hour
- 2 -4 man-hours
- 5-8 man-hours
- Over 8 man-hours

ii) Share of requested data in the primary accounting of enterprise:

- 10 percent
- 11-30 percent
- 31-60 percent
- 61-90 percent
- Over 90 percent

iii) Estimation of respondent burden e.g. requested data:

(a) Requested by tax authorities

- Very heavy
- Heavy
- Light

(b) Requested by statistical authorities

- Very heavy
- Heavy
- Light

iv) If you are unsatisfied or partly satisfied with respondent burden, please explain us causes of it:

(a) Tax authorities

- Requirements of Tax Code and International Accounting Standards are different, that is a problem for calculation of several indicators/variables;
- Huge number of questionnaires/reports;
- Huge number of indicators/variables in questionnaires/reports;
- Some indicators/variables are doubled in different questionnaires/reports;
- Other causes (please, specify).

(b) Statistical authorities

- Small period for official declaration of data;
- Huge number of questionnaires/reports;
- Huge number of indicators/variables in questionnaires/reports;
- Some indicators/variables are doubled in different questionnaires/reports;
- Other causes (please, specify).

v) Please, inform us about difficulties concerning to filling in the questionnaire or other report:

12. The formula for the calculation of the optimal informational burden coefficient is described below.

$$C_{OIB} = \frac{S_I + T_I + O_I}{E_T (H_P + H_I + H_S)} \quad (2)$$

where,

C_{OIB} - Optimal informational burden coefficient;

S_I - Number of indicators/variables in statistical survey questionnaires after the transition into integrated system of accounting;

T_I - Number of indicators/variables in tax reports after the transition into International Accounting Standards;

O_I - Number of indicators/variables in other regular reports after the harmonization with international standards;

E_T - Number of persons engaged in data compiling after training (grew qualification);

H_P - Decreased worked hours on data compiling by using PCs (Personal Computers);

H_I - Decreased worked hours on data supply by using Internet;

H_S - Decreased worked hours on data compiling by using modern software.

13. Some issues can be explained in more detail. Since 1999, Georgian Statistics has used 12 statistical survey questionnaires for separate types of activity. They produced data by branch of economy (employment, production value, expenses, financial results, fixed assets and etc.). Since 1999, with the aim of optimizing respondent burden, Georgian Statistics has used only integrated questionnaires in the entrepreneurial statistics for all types of economic activity. These questionnaires contain various indicators necessary for the calculation of production value, intermediate consumption, value added, employment, financial results (profit, loss), investments, and fixed assets, etc.

14. In 2001, some changes were made to these questionnaires because of Georgia's conversion to international accounting standards. This conversion, together with the requirements of SNA-93 (System of National Accounts-93), enables entrepreneurs today to calculate operational and non-operational components by using the accruing method (and not the cash method).

15. This type of integrated system of statistics will be introduced in the field of social statistics soon.

16. Another component of the formula (2), concerning harmonization of the indicators/variables in tax reports with international standards, requires full conversion to international accounting standards by entrepreneurs. Today, certain requirements of the acting Tax Code and International Accounting Standards are different. For example, according to item 199 `Principles of accounting the incomes and expenses` (Tax Code of Georgia), entrepreneurs can now choose which form to use for accounting income and expenses – the cash or the accruing method. To correct the divergence in which method is chosen, the Department for Statistics of Georgia uses a special form for profit correction, which unfortunately increases the respondent burden on entrepreneurs.

17. There is often divergence between calculations of profit `for tax purposes` and `for statistical purposes`. Therefore, entrepreneurs need additional time for calculation of profit for two different purposes. This problem is also connected with the further use of statistical data by tax authorities for database formation and forecasting.

18. The effective use of working time by persons engaged in data compilation can be implemented through perfection of skills, training, and by using PCs (Personal Computers), modern software and the Internet.

19. Optimal information burden criteria must differ according to size of enterprise (small, medium and large). In the opinion of the Department for Statistics of Georgia, the coefficient of optimal information burden must be calculated at micro and at macro levels. It will thus be possible to compare information burden by countries.

20. The next factor for ensuring optimal information burden implies the definition of the optimal deadline for sending the compiled data to various official authorities. In this case, international standards can be used.

21. The problems mentioned above require more detailed scientific and practical research. The Department for Statistics of Georgia hopes that their workshop will be fruitful and interesting, and that the experiences of participating countries will help them to solve some of the problems related to respondent burden.

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