

TWINNING CONTRACT

AZ/16/ENI/ST/01/19 (AZ/53)

**Support to the State Statistical Committee and the State Tax Service under the
Ministry of Economy to
strengthen collection, harmonization, analysis, publishing and dissemination of
business statistics**



MISSION REPORT

Activity 5.2.A

Activity Title: Identifying data sources for SME indicators

Component 2: The production of business statistics/ SME statistics in terms of content and organization is upgraded

Mission carried out by

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5-19 February 2021

Via: Online Activity: Webex videoconferencing app

Version: Final

Twinning Project: AZ/16/ENI/ST/01/19 (AZ/53)

“Support to the State Statistical Committee and the State Tax Service under the Ministry of Economy to strengthen collection, harmonization, analysis, publishing and dissemination of business statistics”

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List of Abbreviations

AZ	Azerbaijan
BC	Beneficiary Country
EBS	European Business Statistics
EC	European Commission
EU	European Union
MS	Member State
NACE	Nomenclature générale des Activités économiques dans le Communautés européennes NACE is the industrial classification of units dealing in economic activities
RS	Remote Sessions
RTA	Resident Twinning Adviser
SCC	State Customs Committee
SRSU	State Register of Statistical Units
SSC	State Statistical Committee
STS	State Tax Service under the Ministry of Economy
ToR	Terms of Reference

1. General comments

This mission report was prepared within the EU Twinning Project “Support to the State Statistical Committee and the State Tax Service under the Ministry of Economy to strengthen collection, harmonization, analysis, publishing and dissemination of business statistics”. It was the second mission to be devoted to the preparation, presentation and dissemination of Annual SME statistics report supported in line with EU/OECD definitions within Component 2, Result 5 within Activity 5.2.A of the project.

The purpose of the mission was:

- Suitability (quality) of available data for use for production of SME statistics purposes (e.g. the extent to which administrative concepts match data requirements, timeliness and quality of the data, security and continuity of data supply) determined.

The consultants would like to express their thanks to all officials and individuals met for the kind support and valuable information which they received during the Remote Sessions and which highly facilitated the work of the consultants.

This views and observations stated in this report are those of the consultant and do not necessarily correspond to the views of EU, SSC, STS, SME-Agency, Statistics Finland, Statistics Lithuania, Statistics Netherlands, Statistics Denmark and HAUS.

2. Status at the beginning of the mission

Currently the SSC is publishing over 20 SME indicators in the annual publication “Micro, small and medium entrepreneurship in Azerbaijan”. In the previous activity 5.1.A a list of potential new indicators to complement these was drafted. Also some preliminary targets for their inclusion were set (annexed to the mission report). The list of new potential indicators included indicators required by the European Business Statistics (EBS) Regulation (2019/2152) as well as indicators based solely on national user needs and existence of possible data source for their compilation. Until now the published SME indicators have been based solely on data collected by SCC. No administrative data has been utilised. The SSC and the STS started initial bilateral negotiations for enlarging the set of data provided by STS for statistical purposes already before this activity.

3. Status of mission results

Expected outputs of the mission were to search for administrative data sources, especially STS but also other data providers, and to assess possibilities of data: match to user needs, timeliness, quality, continuity.

SSC has already been preparing to add new SME indicators into production, some of which have been introduced into the Statistical Information service (ASIS). The plan is to expand the existing information content to meet user needs and to take into account EU practices as far as possible.

The list of SME indicators, “work-list”, created during activity 5.1.A was enlarged during activity 5.2.A to include important characteristics such as coverage, timeliness and continuity. These aspects were evaluated for each indicator. SSC expanded the list of indicators by 15 from the previous version. At least half of them were identified during the activity to be essential for the SME Agency.

Continuity of the data was not seen as a significant risk for any SME indicator. Main reason for low risk regarding continuity is that surveys by SSC are currently the main data source for SME indicators. If some changes to surveys are planned, all relevant SSC departments are contacted before making final decisions.

The data for producing the indicators is ready with a delay of approximately 11 months. The current timetable is well in line with Eurostat's SBS requirement for final data (SSC T+11/12 months, while Eurostat requirement T+18



months). In case SSC would aim at publishing a set of preliminary figures of the most important SME indicators, STS providing data to SSC would probably help to reach this target.

Data **coverage** is different for legal entities and for individual entrepreneurs. Legal entities are fully covered but individual entrepreneurs are chosen on sampling base and outcomes are imputed. The utilization of the data of the STS would improve coverage of individual entrepreneurs and lessen the need for estimation.

Quality control tables are used for the validation of SME data. The Quality Department of the SSC is responsible for overall quality, but all departments in SSC participate in drafting quality control tables. Information obtained from surveys is put through quality tables to check for any incompliances. If incompliances are detected, cases are submitted to the regional branches of the SSC. Problematic cases are solved in cooperation with enterprises. Based on SSC regional branches feedback, enterprises should make relevant changes in their reporting.

According to the activity 5.2.A ToR, two of the four remote sessions were targeted on discussions on administrative data with STS and assessing possibilities of STS data. STS data availability has also been covered in two other activities in the twinning project. It was decided that it would be better to promote this topic in a comprehensive manner and in connection with the activities that most need STS pilot data. This activity concentrated in examining whether there was a potential source of information in STS for the predetermined SME indicators or would a questionnaire survey in SSC be the only data source in future as well.

4. Sustainability of the achievements

At the moment, SSC's own surveys are the main source for producing SME indicators. The risk that the data will not be available in the future is limited, as the importance of the data will be ensured from all the SSC departments using the data, before final decisions on changes on the questionnaire content are made.

On the basis of own surveys, existing indicators can be maintained, but if data were obtained from the STS, some of SSC's own surveys could be suppressed. This would ease response burden of legal entities and individual entrepreneurs.

5. Recommendations for the future (short and long term)

Short-term recommendations:

- Continue negotiations with the State Tax Service in order to make the information available to State Statistical Committee. If possible, a contract model is recommended in which the information is disclosed for the entire data content of a given tax form.
- Establishing a well-functioning co-operation model between SSC and each organization providing administrative data for statistical purposes. In addition to regular meetings with leaders, meetings of expert groups are encouraged.

Mid-term recommendations:

- The use of microdata is recommended if the technical data processing systems allows to use it efficiently. Microdata enables the classification to be performed by the statistical department which is publishing the data. It also supports a more flexible and versatile compilation of statistics. An example of this was given by the OECD project on SMEs presented during the activity.
- In order to ensure the consistency of classifications between SSC and State Customs Committee, it is recommended to consider a model in which the business register of SSC provides classifying information, such as industry and ownership, to State Customs Committee.

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- If STS Administrative Data will be available to SSC in the future, the possibility of publishing a set of preliminary indicators could be examined.

Long-term recommendations:

- The use of Administrative Data provided by parties other than the State Tax Service and State Customs Committee should be monitored. In the long term, the possibilities of the Ministry of Justice to provide data about SME’s for statistical purposes should be explored.

6. Identification of needs for additional support

The BC should be able to implement these recommendations, but the project will follow up on progress during the project. The SSC is negotiating a new bilateral agreement of information exchange with the STS. The twinning project will support these negotiations by bringing together information needs which have emerged in the different activities.

Negotiations with the State Customs Committee on international trade data (export/import) regarding SME’s or microlevel data will be promoted by the twinning project.

7. Outstanding issues

There are no specific outstanding issues.



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Annex 1. Terms of Reference Activity 5.2.A

Terms of Reference

EU Twinning Project: AZ/16/ENI/ST/01/19 (AZ/53)

Support to the State Statistical Committee and the State Tax Service under the Ministry of Economy to strengthen collection, harmonization, analysis, publishing and dissemination of business statistics

Component 2: The production of business statistics/ SME statistics in terms of content and organization is upgraded

5-19 February 2021 - Hosting institution: Remote Session via Webex

Identifying data sources for SME indicators

Result 5: The preparation, presentation and dissemination of Annual SME statistics report supported in line with EU/OECD definitions

Indicator of Achievement:

5.1.2 Suitability (quality) of available data for use for production of SME statistics purposes (e.g. the extent to which administrative concepts match data requirements, timeliness and quality of the data, security and continuity of data supply) determined.

This activity will be carried out in 4 Remote Sessions, replacing a 4 Working Day’s mission.

Purpose of the activity

- Result 5: The preparation, presentation and dissemination of Annual SME statistics report supported in line with EU/OECD definitions

Expected Outputs of the Activity

- Searching for new administrative data sources STS: assessing possibilities of data: match to user needs, timeliness, quality, continuity
- Searching for new administrative data sources, other data providers and assessing possibilities of data: match to user needs, timeliness, quality, continuity
- Mission report

Resources

State Statistical Committee (SSC)

- Nuru Suleymanov, Department of National Accounts and Macroeconomic Indicators Statistics, Head of Department
- Sevinj Fattahova, Enterprise statistics sector, sector manager

State Tax Service under the Ministry of Economy (STS)

- Telman Mammadov, Chief State Tax Inspector of Economic Analysis Main Department
- Elvin Alizada, State Tax Inspector
- Hidayat Huseynzada, State Tax Inspector

SME Agency



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- Ilkin Aliyev, Coordinator for Projects

MS Experts

- Ms. Ulla Virtanen, Senior Statistician, Statistics Finland
- Ms. Merja Myllymäki, Senior Statistician, Statistics Finland

Twinning Project Administration

- Mr. Ville-Matti Pilviö, RTA
- Ms. Gultakin Babayeva, RTAA
- Mr. Tarlan Arzumanov, Language Assistant

Agenda

Day/Time	Place	Event	Purpose / Details
5 th Feb. 2021 10-13 Baku	Webex	Remote Session 1	Opening, Introductions, Mission Agenda and Schedule, the working methodology Discussing possible administrative data with STS Agreement of tasks by participants for next RS Preparations for next RS (Homework)
10 th Feb. 2021 10-13 Baku	Webex	Remote Session 2	Assessing possibilities of data: match to user needs, timeliness, quality, continuity Agreement of tasks by participants for next RS Preparations for next RS (Homework)
12 th Feb. 2021 10-13 Baku	Webex	Remote Session 3	Discussing possible administrative data (other data providers) Assessing possibilities of data: match to user needs, timeliness, quality, continuity Agreement of tasks by participants for next RS Preparations for next RS (Homework)
19 th Feb. 2021 10-13 Baku	Webex	Remote Session 4	Summary Identifying next steps Tasks to be completed before next activity Next activity content Main findings to an activity report



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Annex 2. Worklist of potential new SME indicators (updated from Activity 5.1.A)

	Indicator	Breakdown	Regional breakdown	Known user need (SME-A)	Target	Data source	Coverage	Timeliness (delay of the data from the reference period)	Continuity (risk for not obtaining the data in the future)	Information available also in State Tax Service	Other comments
EU regulated: EBS Regulation	Hours worked by employees				short term	SSC annual statistical survey	entrepreneurship subjects*	T+11 months**	very low risk	rough estimate	Days worked by employees is available in STS. Also hours based on work agreement but this information is based on contract hours, not actual working hours.
	Total purchases of goods and services			x	short term	SSC annual statistical survey	legal entities	T+11 months**	very low risk	x	
	Social security costs			x	short term	SSC annual statistical survey	legal entities	T+11 months**	very low risk	x	
	Gross operating surplus			x	short term	SSC annual statistical survey	legal entities	T+11 months**	very low risk	can be derived	SME breakdown not yet available in SSC data, needs more careful analysis. Needs to be examined.
	Employee benefits expense	types of economic activity and ownership			short term	SSC annual statistical survey	legal entities	T+11 months**	very low risk	x	- State Tax Service (STS) receives data from State Social Security Fund under Ministry of Economics (one form includes also social security). - Clarification of the indicator / the definition of employee benefits to SME Agency was requested. The indicator includes: salary funds, non-salary funds and other benefits
	Net turnover			x	short term	SSC annual statistical survey	entrepreneurship subjects*	T+11 months**	very low risk	x	SSC data: Additional data validation procedures and software needed for the SME breakdown.
	Number of employees and self-employed persons			x	short term	SSC annual statistical survey		T+11 months**	very low risk	x	
	Statistical value of imports by enterprises (goods)			x	still uncertain	SCC AD in the future			-	x	Not possible at the moment cause of the pandemic, possibilities for this will be studied in next steps
	Statistical value of exports by enterprises (goods)			x	still uncertain	SCC AD in the future			-	x	Not possible at the moment cause of the pandemic, possibilities for this will be studied in next steps
	Number of enterprises importing goods			x	still uncertain	SCC AD in the future			-	x	Not possible at the moment cause of the pandemic, possibilities for this will be studied in next steps
Number of enterprises exporting goods			x	still uncertain	SCC AD in the future			-	x	Not possible at the moment cause of the pandemic, possibilities for this will be studied in next steps	
National needs	R&D expenditures or share in total expenditures			x	short term	SSC annual statistical survey	legal entities	T+11 months**	very low risk	partially	STS data: for example expenses related to development and research
	Level of profitability of enterprises			x	short term	SSC annual statistical survey	legal entities	T+11 months**	very low risk	can be derived	SME breakdown not yet available in SSC data, needs more careful analysis. Needs to be examined.
	Average monthly nominal wages in entrepreneurship subjects, thsd. manats	economic activities and types of ownership		x	short term	SSC annual statistical survey	entrepreneurship subjects*	T+11 months**	very low risk	can be derived	SME breakdown not yet available in SSC data, needs more careful analysis. Needs to be examined.
	Distribution of employees of the list at the end of the reporting year	economic and administrative regions by education level and sex	x	x	short term	SSC annual statistical survey	legal entities	T+11 months**	very low risk	partially	STS data: Information from Ministry of labour, possible. It's indicated if the worker is male or female. Based on labour contract.
	The value of assets in businesses, thsd. manats	types of economic activity and ownership		x	short term	SSC annual statistical survey	legal entities	T+11 months**	very low risk	x	
	Stocks in businesses operating in the country, thsd. manats	types of economic activity and ownership		x	short term	SSC annual statistical survey	legal entities	T+11 months**	very low risk	x	
	Expenditures for purchasing fuels in businesses , thsd manats	economic activity and ownership		x	short term	SSC annual statistical survey	legal entities	T+11 months**	very low risk	x	
	Expenditures for electricity energy in businesses , thsd. manats	economic activity and ownership		x	short term	SSC annual statistical survey	legal entities	T+11 months**	very low risk	x	
	Payments for long-term rental and operating lease in businesses, thsd manats	economic activity and ownership		x	short term	SSC annual statistical survey	legal entities	T+11 months**	very low risk	x	
	Taxes paid by entrepreneurship subjects, thsd. manats			x	short term	STS	entrepreneurship subjects*	T+11 months**	very low risk	x	
Other	Number of employees received professional training, upgraded qualification and retrained in businesses, persons	types of economic activity and ownership			short term	SSC annual statistical survey	legal entities	T+11 months**	very low risk	-	
	Expenditures on training, upgrade qualification of employees in businesses , thsd. manats	types of economic activity and ownership			short term	SSC annual statistical survey	legal entities	T+11 months**	very low risk	?	
	Number of operating businesses established X years ago - 5 years ago - 4 years ago - 3 years ago - 2 years ago - 1 year ago	types of economic activity and ownership			short term	SSC business register	legal entities	T+11 months**	very low risk	x	
	Number of employees with higher education by level of education (bachelor's, master's, doctoral)				?	Aggregate data Source: Labour Statistics Dept. SSC			very low risk	-	- Not possible at the moment for the breakdown of higher education. - Currently not very relevant for SME agency.

* Includes both legal entities and individual entrepreneurs.

** Scheduled online (SSC ENT section) 25th November. Hard copy in Dec.