

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 5.1.A

Activity Title: Current and target state of SME indicators

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

Mission carried out by

Ms. Ulla Virtanen, Statistics Finland

Ms. Merja Myllymäki, Statistics Finland

7-16 December 2020

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”

Expert contact information

Ms. Ulla Virtanen

Senior Statistician, Statistics Finland

Email: ulla.virtanen@stat.fi

Ms. Merja Myllymäki

Senior Statistician, Statistics Finland

Email: merja.myllymaki@stat.fi



This project is funded by
the European Union

Table of contents

1. General comments	4
2. Status at the beginning of the mission	4
3. Status of mission results	4
4. Sustainability of the achievements	4
5. Recommendations for the future (short and long term)	5
6. Identification of needs for additional support	5
7. Outstanding issues	5
Annex 1. Terms of Reference	6
Annex 2. List of SME indicators including a preliminary target state	8

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
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 first mission to be devoted to Result 5 “*The preparation, presentation and dissemination of Annual SME statistics report supported in line with EU/OECD definitions*” within Component 2 of the project. Mission included four remote sessions.

The purpose of the mission was:

SME Indicators with a list of indicators expanded in line with EU/OECD definitions

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 consultant.

This views and observations stated in this report are those of the consultants 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

BC has confronted increasing demands from the government, the business sector, international organizations and the public at large for timely, reliable and internationally comparable business statistics for monitoring policies on businesses as well as on SMEs.

BC has an annual publication about SMEs “Micro, small and medium entrepreneurships in Azerbaijan”. Definition of SMEs in yearbook is based on the decision of the Cabinet of Ministers of the Republic of Azerbaijan dated December 21, 2018, № 556. Definition of SMEs might change during years depending on the decision of the Cabinet of Ministers of the Republic of Azerbaijan. Current definition reflects the European Commission Recommendation (2002/361/EC) concerning the definition of micro, small and medium-sized enterprises but is not fully in line.

Currently BC is publishing over 20 SME indicators but to fulfil increasing user needs, list of indicators needs to be expanded. Indicators are published in a yearbook (pdf) and in excel-sheets on the webpages of State Statistical Committee. Yearbook includes a range of indicators as data tables, at the moment no additional analysis is provided.

3. Status of mission results

Current state of SME indicators was presented by BC and discussed with participants. Challenges of SME indicators were raised. European Commission Recommendation (2002/361/EC) for defining SMEs was introduced. Recommendation takes note on the size of company (number of employees, turnover and/or balance sheet total) but also independency of the company. European Business Statistics (EBS) Regulation (2019/2152) and EBS Implementing Regulation (2020/1197) were introduced based on the indicators and tables where size categorization is required with the exception of Business Demography (BD). BD will be covered in later Activities. User needs, including requirements by EBS, were well recognized and prioritized.

Mission was completed according to plans without any major problems.

4. Sustainability of the achievements

A list of new SME indicators to be pursued in short and middle term was formed during the activity. The list was based on the recognised user needs, EU requirements and potential availability of data. Some of the set targets are more uncertain at this point. The viability of the list will be scrutinised during the following activities. Identified obstacles relate to e.g. lack of suitable data, needed software changes and survey sampling design. The resources for the work on SME indicators are limited so the preliminary targets set at this point need to carefully prioritised in the next steps of the project.



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

Short-term recommendations:

- To work with data providing departments within SSC to investigate the ability to have SME breakdown on already published business statistics indicators.
- Start initial negotiations with State Tax Service and the State Customs Committee to investigate the possibilities of obtaining export and import data either on SME breakdown or on the microlevel (exports and imports for each tax identification number).

Mid-term recommendations:

- Start initial negotiations to investigate whether district courts keep records of the court cases by legal entities (business ID) or if this would be possible in the long run if indicator is necessary to SME Agency.
- Investigate whether it would be possible to maintain two separate SME definitions at the same time: non-stable national definition and stable one. The stable one could be based purely on employment category as required by the EBS Regulation. If the software and sampling design requirements would allow this at reasonable cost, then preparations for production and dissemination of the most relevant indicators based on stable SME definitions should start. This would permit maintaining longer time series and thus monitoring for instance the effectiveness of SME roadmap measures on a longer time span.

Long-term recommendations:

- Consider organising regular meetings between SSC and SME Agency to continue cooperation between agencies on SME indicators. This would enable straight feedback and communication of the most up to date user needs as they might change over time.

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. Some key components relating to the SME work will be handled in result 2/component 1 of the twinning project: 1) indicators on business demography and 2) determining the independency of a unit (statistical unit enterprise).

BC will investigate in more detail providers of data sources for the potential new indicators. After that RTA and related parties will investigate possibilities to start discussions with the identified Administrative Data supplier organizations.

7. Outstanding issues

There are no specific outstanding issues.



Annex 1. Terms of Reference

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

7/12/2020 – 16/12/ 2020

Hosting institution: Remote Session via Webex

Activity 5.1.A: Current and target state of SME indicators

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

Indicator of Achievement:

5.1.1 SME Indicators with a list of indicators expanded in line with EU/OECD definitions

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

5.1 SME Indicators with a list of indicators expanded in line with EU/OECD definitions (5.1.1)

Expected Outputs of the Activity

- Current state and challenges of SME indicators
- EU/OECD definitions and requirements for SME indicators
- User needs and priorities
- Target state of SME indicators (short term and middle term)
- Identifying next steps
- Mission report

Resources

State Statistical Committee (SSC)

- Mr. Nuru Suleymanov, Department of National Accounts and Macroeconomic Indicators Statistics, Head of Department, nuru.suleymanov@stat.gov.az
- Ms. Sevinj Fattahova, Enterprise statistics sector, sector manager sevinj.fattahova@stat.gov.az
- Mr. Yusif Bayramov, Department of Industry and Construction Statistics, Chief Consultant yusif.bayramov@stat.gov.az



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”

State Tax Service under the Ministry of Economy (STS)

- Telman Mammadov, Chief State Tax Inspector of Economic Analysis Main Department
- Elvin Aliyev, State Tax Inspector (last session only)

Small and Medium-Sized Enterprises Development Agency (SME-A)

- Mr. Ilkin Aliyev, Coordinator for Projects

MS Experts

- Ms. Ulla Virtanen, Senior Statistician, Statistics Finland
- Ms. Merja Myllymäki, Senior Statistician, Statistics Finland
- Ms. Saara Roine, Component 2 Leader, Statistics Finland (RS 4 only)

Twinning Project Administration

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

Agenda

Day/Time	Place	Event	Purpose / Details
7 th December 2020 10:00-13:00 Baku	Webex	Remote Session 1	Current state and challenges of SME indicators Agreement of tasks by participants for next RS Preparations for next RS (Homework)
9 th December 2020 10:00-13:00 Baku	Webex	Remote Session 2	EU/OECD definitions and requirements for SME indicators Agreement of tasks by participants for next RS Preparations for next RS (Homework)
14 th December 2020 10:00-13:00 Baku	Webex	Remote Session 3	User needs and priorities Target state of SME indicators (short term and middle term) Agreement of tasks by participants for next RS Preparations for next RS (Homework)
16 th December 2020 10:00-13:00 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



This project is funded by the European Union

Annex 2. List of SME indicators including a preliminary target state

	Indicator	Current status	Known user need	Target (short or middle term)	Other comments
EU regulated: EBS Regulation (2019/2152) and GIA (2020/1197)	Number of active enterprises	published			
	Value of output*	published (comb.)			
	Value added *	published (comb.)			
	Wages and salaries*	published (comb.)			
	Number of employees	published (businesses)			
	The funds directed to fixed capital by SME	published (businesses)			
	Number of women employed in SME	published (businesses)			
	Number of foreigners employed in SME	published (businesses)			
	Newly created SME	published (entrepren.)			
	Liquidated SME	published (entrepren.)			
	Hours worked by employees	available for publication		possibly a short term target	by entrepreneurship subjects
	Total purchases of goods and services	available for publication		possibly a short term target	by legal entities
	Social security costs	available for publication		possibly a middle term target	by legal entities
	Intramural R & D expenditure	data not yet available		-	not possible
	Gross operating surplus	available for publication		possibly a short term target	by legal entities
	Employee benefits expense	available for publication		possibly a middle term target	by legal entities
	Net turnover	data available		possibly a middle term target	Additional data validation procedures and software needed for the SME breakdown.
	Women entrepreneurship	data not yet available		-	At the moment no data collection on woman entrepreneurship.
	Statistical value of imports by enterprises (services)	data not yet available	x	-	At the moment no data collection
	Statistical value of imports by enterprises (goods)	data not yet available	x	still uncertain, possibilities for this will be studied in next steps	Not possible at the moment cause of the pandemic
	Statistical value of exports by enterprises (services)	data not yet available	x	-	At the moment no data collection
	Statistical value of exports by enterprises (goods)	data not yet available	x	still uncertain, possibilities for	Not possible at the moment cause
Number of enterprises importing goods	data not yet available	x	still uncertain, possibilities for this will be studied in next steps	Not possible at the moment cause of the pandemic	
Number of enterprises exporting goods	data not yet available	x	still uncertain, possibilities for this will be studied in next steps	Not possible at the moment cause of the pandemic	
Number of Researchers	data not yet available	-	-	-	
Number of R & D personnel	data not yet available	-	-	-	
Number of employees and self-employed persons	data available	-	possibly a short term target	-	
Gender distribution by social indicators	-	x	-	removed from the list	
Number of employees with higher education by level of education (bachelor's, master's, doctoral)	data not available for the breakdown	x	user need needs to be specified (from SME Agency) for aggregated education indicator	Not possible at the moment for the breakdown of higher education	
R&D expenditures or share in total expenditures	data available	x	possibly a short term target	by legal entities	
Number of employees trained abroad and education degree	data not available	x	-	Not possible at the moment	
SMEs receiving financial support from the state	data not available	x	-	Not possible at the moment	
Information on trainings organized by government agencies for SMEs	data not available	x	-	Not possible at the moment	
Information on SMEs exempt from taxes and other budget payments	data not available	x	-	Not possible at the moment	
Level of profitability of enterprises	not yet provided on the level of SME	x	possibly a short term target	by legal entities	
Operations of business entities related to court procedures:	data not available	x	-	Not possible at the moment	
- number of court cases	data not available	x	-	Not possible at the moment	
- number of entrepreneurs appealing against court decisions	data not available	x	-	Not possible at the moment	
- entrepreneurs benefiting from out-of-court dispute resolution procedures	data not available	x	-	Not possible at the moment	
- number of unresolved disputes from out-of-court	data not available	x	-	Not possible at the moment	
- the number of SMEs who apply to the court related to a fine determined by government agencies	data not available	x	-	Not possible at the moment	