**TWINNING PROJECT**

**Support to Development Process in the State Statistics Service of Ukraine with the Objective to Enhance its Capacity and Production**

**Ukraine**



**MISSION REPORT**

**on**

**8 Foreign Trade Statistics**

**Activity 8.4: Working mission**

Mission carried out by Mr Søren Burman, Statistics Denmark

October 22-23, 2015

Version: Draft

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**List of abbreviations**

ToR Terms of Reference

SSSU State Statistics Service of Ukraine

SD Statistics Denmark

BOP Balance of Payments

ITSS International trade in services statistics

ITGS International trade in goods statistics

BPM6 Balance of payments manual sixth edition

# Background information

The working mission (activity 8.4) under component 8 of the Twinning Project took place on October 22-23, 2015. The meetings were attended by experts of the SSSU and SD.

The MS expert would like to thank the staff of the SSSU for their kind hospitality, very thorough preparations, and presentations as well as pleasant and fruitful collegial discussions during the mission.

The participants agreed that further communication could be done by email.

# 1. General comments

The mission was carried out according to the mission programme.

The activity aimed at assessing the Ukrainian method for calculating the CIFFOB ratios and the service element in connection with merchandise trade.

During the mission the method was discussed and a number of issues were debated and resolved.

# 2. Assessment and Results

The activity on the first day started with a presentation by Ms. Tetyana Poremska showing the preliminary results from SSSU’s exercise on calculating the freight share on the import of merchandise trade by using data the Custom authorities which among other things included information on the delivery terms. In the presentation a number of questions regarding how to calculate the service element of the freight element were presented for different scenarios. Afterwards Mr. Søren Burman had a presentation in response to the questions put forward by the Ukrainian presentation. The main point of the presentation was that the CIFFOB calculation on import of goods and the calculation of the service element in the derived freight share are two different processes. First a FOB value is calculated for the import of goods using the method described in SSSU’s presentation, and secondly the service element is calculated by using the FOB value and the invoice value. Other variables such as nationality of the vessel, delivery terms, and the CIF value of the good should be disregarded in the process of calculating the service element.

The SSSU asked what they should do if they recorded an import by truck from ie. Canada, which obviously isn’t possible due to the vast ocean separating Europe and North America. These observations are not necessarily incorrect entries on the Custom declarations, since they record the mode of transport as the good enters Ukraine, which isn’t necessarily the mode of the transport used on the majority of distance. This is an example of the limitations of using the administrative registers for statistical purposes. Mr. Søren Burman recommended that SSSU performed a simple cleaning of the custom data by applying a simple rule that the mode of transport cannot be truck, railway, fixed installations, or inland waterways for countries that are not on the continents of Europe or Asia.

During the discussions it became clear that goods for processing should be excluded from the data delivery from the Custom authorities since these types of goods flow does not include a change of ownership. SSSU informed that the data from the Custom authorities is aggregated and does not include the type of good traded. This means that the CIFFOB calculations cannot be performed on the type of the goods but only on the geography and mode of transport for the time being.

On day 2 SSSU prepared a spreadsheet with the aggregated Custom data and CIFFOB ratios was calculated for the import of which the pure FOB delivery term was used and where the mode of transport was either truck or ship. These results were used on the CIF type import to calculate a FOB value for all CIF type imports where the mode of transport was either truck or ship. Afterwards a service element was calculated by subtracting the FOB value from invoice value.

During this session SSSU and Mr. Søren Burman agreed that a level of geography should be included, and that the CIFFOB ratios should be calculated by using all the FOB type import, and not just the pure FOB imports. In order to ease the calculations the geographical level used was at the continent level, having a special entry for the neighbouring countries, since the difference between the CIF and FOB values for these countries is assumed to be zero. The special treatment of the neighbouring countries might result in a negative service element, due to the fact the delivery terms are not taken into concern when calculating the FOB value. This is not an error and should not be excluded from the calculations.

SSSU also asked what to do if information was missing such as mode of transport or country of departure. Missing modes of transport could be estimated when the cleaning of the customs data is performed (cf. the issue mentioned on day 1), by simply putting in sea transport or truck transport based on the country of departure. If the country of departure is missing the CIFFOB calculation should be made by using a general CIFFOB ratio instead. Mr. Søren Burman expressed greater concern with missing invoice values and stressed that this should be solved in cooperation with the Custom authorities. Hopefully a lot of the entries with missing invoice value will disappear, when goods for processing is excluded from the data.

Mr. Søren Burman informed that the calculation of the service element also should be done for export of merchandise trade. No CIFFOB correction is necessary for the export, since export already is collected at the FOB value, but the invoice value is needed to calculate the service element, and therefore SSSU need to retrieve this information from the Custom authorities as well.

# 3. Conclusions and recommendations

The recommendations from SD are divided into three areas:

Regarding data:

* Goods for processing should be excluded from the data material received from the Custom authorities
* SSSU should perform an adjustment of the custom data in order to change implausible values for mode of transport
* Export of goods has to be included in the data from the Custom authorities

Regarding CIFFOB ratios

* CIFFOB ratios should be calculated for each mode of transport and type of continent with a special approach for neighbouring countries
* All FOB type delivery terms should be used to calculate CIFFOB ratios

Regarding service element

* The service element derived from merchandise trade should be calculated as the difference between the invoice value and the FOB value
* A service element has to be calculated for exports as well as imports
* The mode of transport and the country of departure/arrival should be used to classify the imports/exports in the ITSS

# Annex 1. Meeting programme (agenda)

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**European Union Twinning Project**

**Support to Development Process in the State Statistics Service of Ukraine with the Objective to Enhance its Capacity and Production**

**Twinning No.: UA/13/ENP/ST/38**

**MISSION PROGRAMME**

Working meetings between the EU expert (Statistics Denmark) and representatives of the Department of Foreign trade statistics (SSSU) within the framework of the Twinning Project “Support to Development Process in the State Statistics Service of Ukraine with the Objective to Enhance its Capacity and Production”. Component 8 Foreign Trade Statistics, Activity 8.4 Working mission

22-23 October 2015

**Component 8 Foreign Trade Statistics**

**Activity 8.4 Working mission**

**Expert: Mr Søren Burman (DK)**

**Working language: English**

**Interpreter: Svitlana Taranova**

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| --- | --- | --- |
|  | Morning | Afternoon |
| Thursday22/10/2015 | 09:30 Arrival to the SSSU Address: 3 Shota Rustaveli Str., Press centerAt the entrance to the SSSU you will be picked up by K.Zhulay, Protocol Department09:30-13:00Discussion of the mission programme and tasks.SSSU: Presentation of insurance and freight services calculations.Discussion on problematic issues that arose when performing such calculations.Discussion on methodological approaches to calculating insurance and freight services. Finding solutions to problematic issues. | 14:30-17:00To be continued |
| Friday 23/10/2015 | 09:30 Arrival to the SSSU Address: 3 Shota Rustaveli Str., Press centerAt the entrance to the SSSU you will be picked up by K.Zhulay, Protocol Department09:30-13:00EU Expert: Recommendations on the use of methodological approaches to calculating insurance and freight services in Ukraine. Recommendations to improve the method used to calculate the abovementioned services.Analysing the results of the calculations.Possible sources of problematic issues when using such calculation methods in Ukraine.Discussion on further activities to improve the methodology of foreign trade in services. Debriefing. | 14:30-17:00To be continued |

Participants:

Statistics Denmark

Mr Søren Burman (DK)

SSSU

Mr Anatoliy Fryzorenko, Director, Trade statistics Department, SSSU

Ms Valentyna Kruglyak, Deputy Director, Trade statistics Department, SSSU

Ms Tetyana Poremska, Head of the Unit, Foreign trade statistics, SSSU

Mr Viktor Kostyrko, Chief specialist-economist, Foreign trade statistics, SSSU

Ms Olga Dolinska, Chief specialist-economist, Foreign trade statistics, SSSU

Ms Ganna Opanasenko, Chief specialist-economist, Foreign trade statistics, SSSU

# Annex 2 Persons met

SSSU:

Anatoliy Fryzorenko, Director, Trade statistics Department

Valentyna Kruglyak, Deputy Director, Trade statistics Department

Tetiana Poremska, Head of the Unit, Foreign trade statistics

Viktor Kostyrko, Chief specialist-economist, Foreign trade statistics

Olga Dolinska, Chief specialist-economist, Foreign trade statistics

Ganna Opanasenko, Chief specialist-economist, Foreign trade statistics

RTA Team:

Irina Bernstein, RTA

Olga Burbelo, RTA assistant

Svetlana Taranova, RTA interpreter