**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**

**5 Structural Business statistics (SBS)**

**5.1 Assessment of the current system of the structural business statistics indicators and the methodology of their compilation according to the EU standards**

Mission carried out by Ms Antanina Valiulienė and Ms. Janina Šalkauskaitė, Statistics Lithuania

11-13 February 2014

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**List of Abbreviations**

ToR Terms of Reference

SSSU State Statistics Service of Ukraine

SD Statistics Denmark

SL Statistics Lithuania

# Executive summary

The mission covered the following topics:

* analysis of the existing information sources in Ukraine (state statistical survey questionnaires/forms and administrative data) used for compilation of SBS indicators, including data on activity of natural persons’ entrepreneurs.
* the elaboration of the list of structural indicators and methodology of compilation of such indicators for natural persons’ entrepreneurs, estimated nowadays in Ukraine and Statistics Lithuania.
* discussion on the existing sources of information (state statistical survey questionnaires/forms and administrative data) used for compilation of SBS indicators, including data on activity of natural persons’ entrepreneurs in Lithuania.
* presentation of the existing data controls used to check the comparability of structural statistics indicators andthe Methodological recommendations on the interconnected structural business statistics indicators, developed by the SSSU.
* presentation and discussion on the Lithuanian experience in carrying out structural statistics indicators checks according to the Eurostat document "The SBS validation process".

The degree of compliance today to the Regulation (EC) No 295/2008 of the European Parliament and of the Council concerning structural business statistics was evaluated in three aspects – completeness of the SBS indicators, questionnaires and data quality checks system. The “weak” points were highlighted as being areas for improvement. The three recommendations were suggested as a guideline where the effort should be done.

# 1. General comments

This mission report was prepared within the Twinning Project „ Support to Development Process in the State Statistics Service of Ukraine with the Objective to Enhance its Capacity and Production”. It was the first mission to be devoted to Activity 5.1. Assessment of the current system of structural statistics indicators and the methodology of their compilation according to the EU standards within Component 5.Structural Business Statistics (SBS) of the project. The mission is aimed at developing the methodology of compilation of an expanded list of indicators of structural statistics including data on activity of natural persons’ entrepreneurs in accordance with European practice and implementing the Methodological regulations on interrelated structural statistics indicators, based on Eurostat document "The SBS validation process" ("updated quality assurance checks") into Ukrainian statistical activities

The concrete objectives of the mission were:

* Assessment of the current SSSU system of the structural business statistics methodology in terms of data sources used, the completeness of the SBS indicators and data quality check system;
* Sharing of the practises in implementation of the SBS survey methodology and compilation of indicators in Statistics Lithuania focusing on the natural persons as well as structural statistics indicators checks according to the Eurostat document "The SBS validation process".

The experts would like to express their thanks to all officials and individuals met for the kind support and valuable information which we received during the stay in Ukraine, and which highly facilitated the work of the experts.

The views and observations stated in this report are those of the experts and do not necessarily correspond to the views of EU, SSSU or Statistics Denmark.

# 2. Assessment and results

The assessment was carried out in accordance with the following topics:

2.1. The existing data sources used for compilation of SBS indicators and the compilation of structural indicators for natural persons’ entrepreneurs;

2.2. The existing quality data control used to check the comparability of structural statistics indicators.

The participants from SSSU HR department and the experts from SL introduced each other and went through the program for ensuring common understanding of the ToR, especially the expected results.

## 2.1. Common methodology of SBS survey in SSSU; the existing data sources used for compilation of SBS indicators

EU experts was familiarized with the existing information sources in Ukraine (state statistical survey questionnaires/forms and administrative data) as well as common methodology used for compilation of SBS indicators, including data on activity of natural persons’ entrepreneurs.

The SSSU presented the structure of the institution, focusing on the department responsible for SBS and the main procedures for the organisation of statistical processes. The Department of Structural and Financial Statistics of Enterprises, responsible for the compilation of SBS, is under the supervision of the First Deputy Chair of the SSSU. The central office is responsible for the organisation of the entire statistical survey: methodology, final data control and publication of statistical information and etc. The statistical data collection system consists of three regional levels: data collection (in paper form) is performed at the lowest regional level, data editing and control – at upper regional levels. Moreover, there are seven advisory boards under the central office and, additionally, three functional institutions.

The SBS population consists of legal and natural persons, to which/whom different methodologies are applied. The population of active legal units (non-financial) is selected from the Business Register of Statistical Units at the date of 15th of November. They are surveyed through statistical questionnaires F No 1. An exhaustive survey is performed for large and middle-sized enterprises (more than 50 employees and 10 mill. euro of turnover; 47 000 enterprises). A sample survey is organised for the subpopulation of small and micro enterprises; a random sampling method is applied. Data on regions, the number of employees and activity (at the NACE 2-digit level) are used to define strata. About 20% (60 000) of small and micro enterprises are surveyed annually, using a short statistical questionnaire. As regards the parameters for sampling, experts suggest making analysis if the sampling parameter on activity code at NACE 2 digit level used for sampling of small and micro enterprises is enough to make estimation on NACE 3-4 digit level as it is required by SBS 295/2008 Regulation and to improve it depending on analysis results

The complete statistical questionnaire is quite detailed: data used for the estimation of production and value added by kind of activity unit (KAU) is collected at the NACE 4-digit level. Data on the number of employees, turnover and labour costs are collected by local units and by activity at the NACE 4-digit level. The complete statistical questionnaire F No1 consists from 9 chapters which ensuring the SBS and National accounts needs. The chapters 3 “Distribution of the key indicators by types of economic activity” and 9 “Local units: key indicators” are quite detailed: data used for the estimation of production and value added by kind of activity unit (KAU) is collected at the NACE 4-digit level. Data on the number of employees, turnover and labour costs are collected by local units and by activity at the NACE 4-digit level. Also, the questionnaire contains a separate chapter for the distribution of material expenses and expenses for services by products and services where data are collected for the national accounts needs. The collection of those data is very burdensome for enterprises and SSSU as requires big efforts to ensure good quality of the data (particularly year-to-year comparability). The benefit and cost analysis of this information may be performed.

Data on investments and environmental protection indicators and breakdowns of turnover by CPA are received from other statistical surveys. Their preparation is under the responsibility of other branch’s departments.

Legal units (except for banks) are also obliged to provide their annual financial statements (balance sheets and reports on financial results) for statistical offices. The data from financial statements are used for compilation of SBS indicators.

Data on financial and insurance enterprises are received on the basis of agreements with the National Bank and the State Commission for the Regulation of Financial Service Markets of Ukraine.

Taking in to account SSSU experts’ needs, work was focused on the estimation of SBS variables for natural persons’ entrepreneurs.

The population of natural persons in Ukraine consists of persons who carried out any lawful economic activity and persons carrying out independent professional activity. There are no limits for the number of employees and turnover of natural persons in the first group. The number of employees hired by persons carrying out independent professional activity could not exceed 4 employees. All natural persons are obliged to register their activity and pay income tax under a common tax system; there are two types of taxation: common and simplified (simplified – for natural persons whose income does not exceed 2 mill. euro). Data on the regional code of registration of natural persons, NACE code (not always), conditional ID code of natural persons which are not related to the previous year, income, costs and tax values, the number of employees and type of taxation system are received by the SSSU. Data are received on the basis of agreements with the Ministry of Revenue and Duties of Ukraine. Data on costs are not available for the natural persons who used a simplified taxation system. Data on persons carrying out independent professional activity are temporarily not available until an agreement is signed. Up to now, on the basis of those data on natural persons (first group), the SSSU produced four SBS indicators – number of enterprises, turnover, number of employees, and number of persons employed. Natural persons make up 77.2 per cent of enterprises, their turnover – 5.6 per cent of the turnover of the non-financial sector in Ukraine.

The problem is incomplete coverage of primary data and produced SBS indicators and population of natural persons.

EU experts presented the SBS methodology used at Statistics Lithuania, focusing on certain practical aspects and natural persons (entrepreneurs). They presented the structure of the SBS survey (annexes 1–9); consistency of the population, observation units and practical aspects of KAU and LKAU observation units; data sources (statistical survey questionnaires and administrative data) used for the compilation of SBS indicators, including data on the activity of natural persons.

Then, EU and SSSU experts worked on the elaboration of the list of structural indicators and methodology for the compilation of such indicators, including data on the activity of natural persons (entrepreneurs), estimated at Statistics Lithuania. It was presented how SBS indicators are calculated or estimated depending on the type of enterprise and data sources. Information on the estimation of SBS indicators for natural persons was analysed precisely.

## 2.2. The existing data quality control used to check the accuracy of structural statistics indicators. The Methodological regulation on interrelated structural statistics indicators.

SSSU experts presented existing data controls used to check the accuracy of primary statistical data collected through statistical questionnaires and data controls to check the comparability of structural statistics indicators.

The primary data control system is composed from arithmetical (59/42, depending on the complete/short form of the statistical questionnaire F No 1) and logical (including boundaries, 33/22) rules. Statistical survey data are also checked against other available statistical and administrative data sources. This checking is performed at the enterprise level. Checking rules are highlighted in the questionnaire.

Year-to-year checks are performed for the main SBS indicators at the primary as well as aggregated level by the experts of the Department of Structural and Financial Statistics of Enterprises. It was assumed that existing control is not complete enough and has to be improved as defined by Eurostat in the document “The SBS validation process”.

The document on Methodological regulation on interrelated structural statistics indicators and the action plan for their implementation are prepared by SSSU experts. The document includes all quality checks requirements recommended by Eurostat, i.e. fully comply with the Eurostat recommendations on quality checks document “The SBS validation process”. The document is more theoretical than practical so any support from MS experts for their implementation is welcome.

The experts presented the data control system implemented in the SBS survey in Statistics Lithuania. There are three control stages: primary and secondary control of primary data and SBS data quality checks according to Eurostat’s requirements. Detailed explanations as to how data quality checks are performed at the third stage were presented.

Primary data control is performed at the first stage, where over 400 arithmetical and logical rules are implemented. This control is performed during data entry into the database and electronic forms of questionnaires (electronic forms contain fewer control rules – only the main ones). Regional data collection units are responsible for the ensuring of primary data quality (taking into consideration implemented control rules). The secondary control of primary data is performed in the Enterprise Statistics Division. Data are checked against administrative data. Also, identification of year-to-year variations and outliers at the enterprise level is carried out. At the third stage of control, aggregated SBS data are checked (by data series breakdowns requested by the Regulation). The checking rules correspond to the Eurostat’s requirements with one exception: the rules implemented under the first or second stages of control are not reduplicated under this stage. The lists of explanations defining the reasons of residual “warnings” and “errors” (the data cells which do not satisfy the quality rules) are produced when checks are conducted.

The SSSU experts also were informed that Eurostat developed the data validation tool EDIT which is strongly recommended for checking of the SBS data quality. At first it is recommended to test this tool before the implementation of the individual system of data quality control. It would help the SSSU to save time and staff resources. The tool is available on the circabc > <https://circabc.europa.eu/faces/jsp/extension/wai/navigation/container.jsp> > login >. Go to the interest group „structural business statistics” and > library. Then download three files related to Edit tools.

## 3. Conclusions and recommendations

*The recommendations from the mission are as follows:*

1. To improve the coverage of SBS indicators and frame for the natural persons entrepreneurs: to create an action plan and methodology for the estimation of SBS variables for natural persons (entrepreneurs).
2. To assess the SBS questionnaires: user needs should be revised and possibilities to simplify questionnaires should be identified, in particular taking into account national accounts needs for annual data on the distribution of material expenses and expenses for services by products.
3. To improve data quality it is necessary to introduce the controls of structural business statistics interconnected indicators, which are not in the current structural survey, but cited in the Eurostat document “The SBS validation”.

# Annex 1. Terms of Reference

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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**

**Terms of Reference**

for a short-term mission to the State Statistics Service of Ukraine

*Component 5* *Structural Business Statistics (SBS)*

*Activity 5.1. Assessment of the current system of structural statistics indicators and the methodology of their compilation according to the EU standards*

**General information**

Statistics Denmark in partnership with INSEE France, Statistics Lithuania, Statistics Finland, Statistics Sweden, Central Statistical Bureau of Latvia, Central Statistical Office of Poland, Italian National Institute of Statistics (ISTAT) and Statistical Office of Spain (INE) is leading the EU-Twinning project on “Support to Development Process in the State Statistics Service of Ukraine with the Objective to Enhance its Capacity and Production” in Ukraine. The beneficiary is the State Statistics Service of Ukraine.

This activity is implemented under the Component 5. Structural Business Statistics (SBS).

The purpose of this component is to:

1. develop the methodology of compilation of an expanded list of indicators of structural statistics including data on activity of natural persons’ entrepreneurs in accordance with European practice.
2. implement the Methodological regulations on interrelated structural statistics indicators, based on Eurostat document "The SBS validation process" ("updated quality assurance checks") into Ukrainian statistical activities.

This activity will help to achieve the aforesaid purposes and targets, specified in the contract:

1. methodology for compilation of structural statistics, including data on activity of natural persons’ entrepreneurs is elaborated;
2. approbation of the draft methodological guidelines on interrelated structural statistics indicators, including data on activity of natural persons’ entrepreneurs is fulfilled;
3. knowledge and practical skills of SSSU specialists are improved.

**Purpose of the mission**

Mission’s priority purpose:

1. The EU experts will analyze the national information base (state statistical surveys questionnaires/forms and administrative data) used for compilation of structural statistics indicators, including data on activity of natural persons’ entrepreneurs.
2. The EU experts will assess the methodological regulations on interrelated structural statistics indicators, elaborated by the SSSU specialists basing on the Eurostat document "The SBS validation process".

**Expected results**

* EU experts will get familiarized with the existing information sources in Ukraine (state statistical survey questionnaires/forms and administrative data) used for compilation of SBS indicators, including data on activity of natural persons’ entrepreneurs.
* EU experts will get familiarized with the Methodological regulations on interrelated structural statistics indicators.
* EU experts will assesses the compliance of Ukrainian practice of compilation of SBS indicators including data on activity of natural persons’ entrepreneurs and draft methodological regulations on interrelated structural statistics indicators with the European requirements

**Activities**

Approximate scheduling:

*12. February 2013*

SSSU presentation on the existing information sources in Ukraine (state statistical survey questionnaires/forms and administrative data) used for compilation of SBS indicators, including data on activity of natural persons’ entrepreneurs.

Elaboration (together with EU experts) of the list of structural indicators and methodology of compilation of such indicators, including data on activity of natural persons’ entrepreneurs, estimated nowadays in Ukraine.

13.February 2013

SSSU presentation on existing data checks to verify the comparability of indicators of structural statistics.

Processing of the draft methodological regulations (together with EU experts) on interrelated structural statistics indicators, elaborated by the SSSU experts.

14. February 2013

EU experts’ assessment of the generally accepted in Ukraine practice of compilation of SBS indicators, including data on activity of natural persons’ entrepreneurs and methodological regulations on interrelated structural statistics indicators as to their compliance with the EU standards.

Discussion of the content of further actions under this component.

Planning and outlining the issues to be studied during the study visits.

**The tasks to be performed by the SSSU in order to facilitate the mission**

The questionnaires/forms of state statistical observations will be translated into English #1 entrepreneurship (annual), 1- entrepreneurship (short) (annual) "Structural Business Survey"

**Consultant and partner**

The mission will be carried out by:

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**Scheduling**

The Mission will take place on February 12-14, 2013 in Ukraine.

**Report**

The final report on the mission should be submitted no later than two weeks after the completion of the mission.

# Annex 2. Persons met

SSSU:

Ms. Iryna Zhuk, Director, Department for Structural Statistics and Statistics of Business Finance, SSSU:

Ms. Margarita Kuznetsova, Deputy Director

Ms. T.etyana Zakharova, Head of Structural business survey Unit

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