**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**

**Component 9 Statistical Business Register**

**Activity 9.1 Recoding of the enterprise groups**

**9.1.2 Assessment mission**

Mission carried out by Sarmite Prole, Central Statistical Bureau of Latvia

19-23 may, 2014

Version: Draft

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*Author’s name, address, e-mail (keep the relevant information)*

*Sarmite Prole*

*Central Statistical Bureau of Latvia*

*Business Statistics Department*

*Business Register Section*

*Lacplesa Street 1*

*Riga, LV-1301*

*Latvia*

*Tel: +370 67366882*

*Email: sarmite.prole@csb.gov.lv*

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**List of Abbreviations**

EU European Union

SSSU State Statistics Service of Ukraine

EGR European Group Register

ESSnet European Statistical System Network

EGR Euro Groups Register

CSB Central Statistical Bureau of Latvia

SBR Statistical Business Register

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

# 1 - Executive summary

The objective of the Twinning project is to develop Ukraine’s national system of official statistics in order to apply European standards and Acquis in the area of statistics. The purpose of component 9 „Statistical Business register” is to create and identify enterprise groups as well as to organize their surveying to lay the foundation for implementing the European methodology of enterprise group statistics and the goal of activity 9.1“Recoding of the enterprises groups” is to transmit all the information allowing to set up a register of identification of enterprise groups within the Statistical Business Register.

The mission is aimed at providing information about the EU regulations and methodology for identification of enterprise groups in the SBR, establishment of financial controlling relations between legal units and their recording in the SBR, data sources and introduces the profiling procedure.

The objectives of mission were as follows:

* To provide the EU regulations on accounting of enterprise groups in the SBR;
* To present the current state of the SBR for identification of enterprise groups and establishing relationships between enterprises;
* To get information on the structure of enterprise groups, data sources and their recording in the SBR ;
* To inform about the experience of the CSB in accounting of enterprise groups;
* To inform about profiling procedure;
* To assess the available information on related/controlled legal units in the Ukrainian SBR;
* To study the specific case of enterprise groups;
* To make an assessment of different possible ways to identify resident enterprises group units according to information available in SSSU.

# 2 - General comments

Within the framework of the mission detailed information about EU regulations and methodology concerning the statistical unit “enterprise group” was provided. The methodological point of view of the EU working groups and ESSnet projects concerning revision of the definition of the statistical units and profiling, and the work on the elaboration of EGR were also presented.

During the mission the current state of the SBR was presented, outlining the existing opportunities to identify enterprise groups and establish relationships between legal units. It was mentioned that the construction of a register of enterprises groups requires the knowledge of links of control existing between legal units and comprehension of financial links. A practical approach for the creation of an enterprise group was presented.

For the construction of an enterprise group and determination of the structure, the necessity of information on links of control between legal units was considered. Currently the available information in Ukrainian SBR on the statistical unit “enterprise” is equal with the statistical unit “legal unit”. The “top-down” method and the “bottom-up” method for delineation of enterprise groups were also discussed.

The SSSU carried out a research in various available statistical sources and determined those where information, which reflected the financial and/or the control links between units, was available. A number of sources contain useful information but more elaborate investigations are needed.

During the mission the meaning of an enterprise group in accordance with accounting standards was discussed. The used definition is not fully suitable for statistical purposes and the statistical unit “enterprise group” should be used applying the following amendments:

* Consider accounting groups at the highest consolidation level;
* Add majority-controlled units, whose accounts are not included in consolidation;
* Add controlled units, which are non-active (not information about the number of persons employed and/or turnover).

These aspects need to be taken into account because lack of information about related legal units may affect the exact enterprise group determination structure.

The profiling procedure was presented and a brief overview on the Latvian experience within ESSnet project on profiling was provided. Main attention was paid to the definition of the profiling method. The topic on the profiling procedure needs to be discussed deeper.

**3 - Assessment and results**

The SSSU has a business register of legal units of excellent quality, which is a solid base for the construction of statistical units at the level of enterprise groups. Within the SSSU there is also available statistical information from the structural business statistics and foreign affiliate’s trade statistics surveys, which will provide general information about related enterprises in 2013. There are additional statistical surveys, which help to check the data quality on enterprise groups. For further development of the activity on identification of enterprise groups in the SBR it is necessary to make an inventory of the available information on related enterprises and start to analyse their structure including controlling and/or financial links.

**4 - Conclusions and recommendations**

The goal to set up a register of identification of enterprise groups within the SBR appears to be achievable by the implementation of a system of identification of the financial and control links between the legal units.

Proposed recommendations:

**1st recommendation**

Within the activity it was the second expert visit to the SSSU and the first visit for an expert from Latvia. The mission is focused on identification of enterprise groups, creation of control and/or financial links between legal units and practical implementation tools.

The proposal is to continue these topics during the next mission.

**2nd recommendation**

Basic data about enterprises in the SBR are supplemented from different data sources. The data availability in the SSSU for starting to identify enterprise is in a very good starting position, because in the Ukrainian SBR data on ownership and shares of capital are available. Information from statistical surveys is also useful for establishing and checking relationships between enterprises. The goal is to verify the available information with the aim to identify variables, which are necessary for identifying enterprise groups and analysing their structure.

The result of these works could be presented and analysed during the next mission.

**3rd recommendation**

The SBR is a basic tool for the improvement of statistics and for a deep and complex analysis of enterprises it is necessary to study links between certain enterprises, which are bound together by legal and/or financial links. During the mission the first practical example was looked through. For better understanding how to identify enterprise group it was suggested to make a test on identification of groups. The objective is to define legal and/or financial links between legal units and analyse their structure (direct and indirect control) with the aim of reconstructing an economic structure of these groups compatible with the statistical definition of enterprise groups.

The result of these works could be presented and analysed during the next mission.

**Annex 1: Terms of Reference**

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

May 19-23, 2014

Working meetings between the experts of the Price Statistics Department (SSSU) and the EU expert 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 9. Statistical Business Register. Activity 9.1. Recoding of the enterprise groups (Identification of the enterprise groups in the statistical business register)

**Component 9 Statistical Business Register**

**Activity 9.1. Recoding of the enterprise groups** (Identification of the enterprise groups

in the statistical business register)

**Expert: Sarmite Prole (Central Statistical Office of Latvia)**

**Date: 19-23/05/2014**

**Working language: English/Russian**

**Interpreter: Svitlana Taranova**

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| --- | --- | --- |
|  | Morning | Afternoon |
| Monday  19/05/2014 | 11:15 Arrival to Kyiv (Boryspil airport)  Transfer from the airport arranged with Vitaliy (+380934171888) (price: €25) You can pay on your way home, €50 roundtrip  Reservation in the Hotel Rus:  # 793780440 |  |
|  | 13:00-14:30  Meeting with RTA Irina Bernstein/ Lunch  Address: 3 Shota Rustaveli Str. | 15:00 Arrival to the SSSU  Address: 3 Shota Rustaveli Str., Press centre  15:00 -16:30  Assessment of current situation, discussion of mission program.  Familiarization with the EU regulations on accounting of enterprise groups in the statistical business register.  Familiarization with the experience of the EU statistical offices in accounting of enterprise groups, coordination of administrative and accounting data on enterprises.  Questions and Answers |
| Tuesday  20/05/2014 | 09:30 Arrival to the SSSU  Address: 3 Shota Rustaveli Str., Press centre  09:30-12:30  Presentation on the current state of the statistical business register and outlining existing opportunities to identify the enterprise groups and establish relationships between enterprises.  Discussions on the structure of enterprise groups, sources of data on enterprise groups and preparation of information on enterprise groups.  Questions and Answers | 14:00 -16:30  To be continued |
| Wednesday  21/05/2014 | 09:30 Arrival to the SSSU  Address: 3 Shota Rustaveli Str., Press centre  09:30-12:30  Profiling procedure.    Analysis of existing information on enterprise groups.  Discussion on identification and formation of the category of enterprise groups, controlled by the State, and where the Head of the group is represented by the State through Ministries or government bodies established for this purpose.  Questions and Answers | 14:00 -16:30  To be continued |
| Thursday  22/05/2014 | 09:30 Arrival to the SSSU  Address: 3 Shota Rustaveli Str., Press centre  09:30-12:30  Establishing financial relationships and controlling relations in the statistical business register.  Updating and amending the established relationships between enterprises and their recording in the statistical business register. | 14:00 -16:30  To be continued |
| Friday  23/05/2014 | 09:30-13:30  Discussion, summing up and presenting recommendations | 14:00 -16:30  To be continued  20:10 Departure from Kyiv (Boryspil airport) |

# Participants:

Ms Sarmite Prole – Central statistical office of Latvia

Mr Yuriy Ostapchuk, Director, Department for Statistical Methodology, Component Leader

Ms Anna Rozumna, Deputy Director, Department for Statistical Methodology

Ms Alla Varnidis, Deputy Director, Department for Statistical Methodology, Director of the Department for Statistical Classifications

Mr Anton Tovchenko, Head of Division of mathematic processing methods and analysis of statistical data

Ms Olga Ponomarenko, Chief Specialist – Economist, Division of EDRPOU and Statistical Units Registers

# Annex 2. Persons met

**SSSU:**

Mr Yuriy Ostapchuk, Director, Department for Statistical Methodology, Component Leader

Ms Anna Rozumna, Deputy Director, Department for Statistical Methodology

Ms Alla Varnidis, Deputy Director, Department for Statistical Methodology, Director of the Department for Statistical Classifications

Mr Anton Tovchenko, Head of Division of mathematic processing methods and analysis of statistical data

Ms Olga Ponomarenko, Chief Specialist – Economist, Division of EDRPOU and Statistical Units Registers

**RTA Team:**

Irina Bernstein , RTA

Olga Burbelo, RTA assistant

Svitlana Taranova, interpreter

# Annex 3. List of presentations made during the mission

1. Statistical Business Register Enterprise Groups in Latvia (SBR\_EG.ppt)
2. Data sources and data on enterprise groups (RG\_data \_sources.ppt)
3. Profiling procedure (Profiling.ppt)