**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**

**Activity8.1: Assessment mission**

Mission carried out by Mr Poul Uffe Dam and Mr Casper Winther, Statistics Denmark

October 22-24, 2014

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 assessment mission (activity 8.1) under component 8 of the Twinning Project took place on October 22-24, 2014. The meetings were attended by experts of the SSSU and Statistics Denmark.

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 the next meeting would be held in Kyiv in March 2015.

# 1. General comments

The mission was carried out according to the ToR and the mission programme. This activity aimed at assessing the current production system of the SSSU Foreign Trade Division, including the approach to new MSITS2010 service items having the European standards and international recommendations in mind – Manual on Statistics of International Trade in Services (MSITS2010) and the sixth edition of Balance of payments and international investment position manual (BPM6).

Further the aim was to study the approach to back data calculations, especially within the field of manufacturing services.

# 2. Assessment and Results

The activity started with a thorough presentation by Tetyana Poremska, Head of the Unit, of the **organisation and production system of the SSSU, especially regarding the ITSS**.

Overall the presentation reflected an adequate data collection of the ITSS to a large extent. The quarterly questionnaire is very detailed (historically based on CPA) and can – with a minor exception – be used to aggregate into the extended EBOPS categories as recommended by MSITS2010. Data are collected and validated by regional statistical offices but are processed, and partly validated, centrally by the SSSU.

The ITSS is a full coverage sample adjusted based on information from the central banks settlement system. However, there is due to transaction thresholds in the latter not a complete coverage. Supplementary sources are used regarding construction, tourism, transport, technical assistance from abroad etc.

The department of economics at the SSSU produces statistics on foreign trade in goods, foreign trade in services, and “balance of foreign trade”.

The “balance of foreign trade” is produced pursuant to a resolution from the Cabinet of Ministers of Ukraine. The “balance of foreign trade” corresponds to the goods and service account of the BOP but does not follow the methodology of the BPM6, the methodological concept is unique. The sum of ITSS and ITGS are adjusted with respect to the manufacturing services in order to account for the double counting problem associated with goods sent to and received from processing activities. No other adjustments are made.

The central bank is responsible for the production of the balance of payments. Currently the transition to the BPM6 has not been fully implemented. SSSU ships information about investments, trade in goods and services to the central bank, which uses the input to produce the balance of payments.

The national organization of the work in Ukraine implies some duplication of work, which also implies that the users are left with similar but not identical statistics concerning the same subject matter. This is the case concerning ITSS where the SSSU uses a questionnaire based approach and the central bank uses a settlement system based approach which yields different results. Further the SSSU produces a combined goods and service account, which is different from that of the goods and service account of the BOP produced by the central bank.

The second presentation was given by Olga Dolinska on **travel related services**. A new way of calculating the travel account (not implemented) was presented in order to account for a known problem of under coverage of the old method. Based on the number of travellers as recorded by the State border guard in combination with the consumption estimates showed a completely different picture of the travel account – the new method implies that the travel account represents 80 pct. of total exports of services. The equivalent figure for the old method is 4 pct. while the equivalent estimate published by the central bank is 25-30 pct.

The third presentation on **transportation and insurance services** was given by Viktor Kostyrko. The classification follows that of the MSITS2010 (passenger, cargo, other) but the category other seemed to include the service of renting a vessel with crew which should be recorded according to either passenger or cargo dependent of the nature of the transportation.

Concerning the insurance service it was noted that the questionnaire contained questions about premiums/claims as well as the service element itself. The former is used as “control” information regarding the service element. The approach is considered valid, though, unusual.

The topic of CIF/FOB adjustments impact on amounts of foreign trade in services was touched upon but largely referred to the next mission.

The fourth presentation and topic of discussion was **processing methodology, including back casting**, which was introduced by Tetyana Poremska. Implementing the MSITS2010 the questionnaire has been extended with a question concerning manufacturing services of goods that return to the initial economy. This question – in addition to the existing one - can be added up to fully cover the MSITS2010 category of manufacturing services on physical inputs owned by others.

Alongside the questions about the manufacturing services the companies are asked about the total gross values of the goods sent to/received after processing. This information is not used in itself by the SSSU except for back data calculations. The information could be used to adjust to the goods concept of the BPM6 (the central bank uses the detailed information from the ITGS for that purpose).

On the third day a brief meeting with Ms Larysa Matronich from the **foreign trade in goods office** took place. The aim was clarification of a few issues – 1) The trade in goods data are collected via the Customs SAD document (Single Administrative Document). 2) It is possible to identify goods to/from processing at company level. 3) Goods procured in foreign ports (e.g. bunkers) are included in the ITGS.

Finally at the last day the **recommendations by the MS experts** were discussed (see conclusions and recommendation).

The mission ended with the settling the **date and aim of the next mission**. The next mission (and perhaps final mission) was scheduled for the last week of March 2015 (23-27 March). The topics of the next mission was agreed to be: 1) cif-fob adjustments impact on amounts of foreign trade in services, 2) processing pilot calculations, 3) repair services.

# 3. Conclusions and recommendations

The recommendations are spilt between general recommendations, including organisational issues, specific recommendations, and some points for future research.

### 3.1 General recommendations

The SSSU is encouraged to considering:

1. seeking to change the methodology of the “balance of foreign trade”
2. establishing a closer cooperation with the central bank

Ad.1.

The “balance of foreign trade” is produced pursuant to a resolution from the Cabinet of Ministers of Ukraine. The “balance of foreign trade” corresponds to the goods and service account of the BOP but does not follow the methodology of the BPM6 since the sum of ITSS and ITGS is adjusted only with respect to the manufacturing services. Adjustment with regard to e.g. the gross flows of goods sent to/received after processing, merchanting etc. is not performed.

Having a measure of the goods and services account of the BOP as well as a measure of combined goods and services produced by the SSSU does not follow international recommendations a leaves the users with dual and diverging information which the SSSU is encouraged to avoid. The MS experts have been made aware that there has been a government decision to reduce the differences between the two concepts. We encourage SSSU to reduce the differences by initiating a process where the methodology of the “balance of foreign trade” is adapted to the concept in the BPM6.

Ad.2.

To comply with international recommendations the SSSU is encouraged to initiate a process of closer cooperation with the central bank. This concerns the above mentioned issue of calculating the combined figure of goods and services but also with respect to the service account itself, which is produced by the central bank and the SSSU according to different methodologies. The central bank uses the bank’s settlement system contrary to the questionnaire based system by the SSSU. Internationally the service account is to an increasing extent being produced in a questionnaire based system due to an increasing threshold level of the settlement system and due to the inadequacy of a settlement system to capture services a detailed level.

There are clear benefits from a closer cooperation within the field of processing as well. The field of processing covers conceptually 1) the manufacturing service, 2) the goods flows, 3) materials bought abroad for processing abroad, and 4) goods sold abroad after processing abroad. Points 2-4 are relevant with respect to the BOP goods account while 1 is relevant to services. However, it can be advantageous to consider the information simultaneously to improve quality. Often many of the transactions go hand in hand and it can be useful to check the validity by comparing the information.

In addition it can be useful to consider Merchanting alongside with processing transactions since there is a subtle line between goods bought and sold abroad and processing. If the goods are transformed in between the buying and selling transaction this should be recorded as processing, if not, merchanting.

### 3.2 Specific recommendation

To achieve complete comparability with the EU methodology, the following changes are recommended to be made into questionnaires or calculations:

1. Adjust the ITSS questionnaire/guidance to ensure that the service of renting a vessel with crew is placed in the relevant transportation subgroup (freight, passenger) and not in the group “other”.

To improve quality the following changes are recommended to be considered:

1. Make systematic use of information from the Customs based ITGS on goods sent to/received after processing to validate the reported manufacturing services.

Concerning the back data calculation of the manufacturing services on physical input owned by others the various methods suggested by the SSSU all seems appropriate. An average of method I and II seems valid but method III, which is conceptually different, should not be included in the average.

Finally a few points for possible future research:

* Look into the possible extent of under coverage of the ITSS with a view of establishing a system for grossing up.
* Coordinate with the central bank and share methods on travel. The large interval of the different suggested methods indicating that it must be possible to identify the weaknesses.

# 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 on

*Component 8 Foreign Trade Statistics*

*Activity 8.1 Assessment mission*

**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 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 8 *Foreign Trade Statistics.* The purpose of this component is to align Ukrainian statistics of foreign trade in services to the European and international standards in accordance with the Recommendations on international trade of services and the 6th Edition of the Manual on balance of payments and international investment position with the aim to improve the quality of statistical data in the area of ​​international trade in services.

**Purpose of the mission**

Mission’s priority purpose:

Get recommendations based on existing international accounting system (statistical observations and administrative reporting) in statistics of foreign trade in services during the period of introduction of a new methodology that meets the guidelines of the Manual on Statistics of International Trade in Services (UN, 2010) as well as of the Balance of Payments and International Investment Position Manual, 6th edition (IMF, 2009).

**Expected results**

* to familiarize with the EU methodological approaches to calculation of services that have not been accounted before;
* to receive recommendations on the developed methodology for retrospective calculations of particular types of services that are currently taken into account in the external trade statistics.

**Activities**

Approximate scheduling:

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| Day 113.05.2014 | 10:00 – 13:00, 14:30-16:30Discussion of the mission programme and tasksAssessment of the current state of statistics of trade in services following the introduction of a new methodology of International trade statistics of Ukraine and international Classification of services that are in line with the recommendations of the Manual on Statistics of International Trade in Services (MSITS 2010, 2010) and the Balance of payments and international investment position manual, the sixth edition (IMF, 2009).Introduction to the tools, scheme, organizational and implementation procedures, procedures of processing and dissemination of the results of the state statistical observation on foreign trade in servicesQuestions and Answers  |
| Day 214.05.2014 | 10:00 – 13:00, 14:30-16:30Group ІAnalysis and assessment of the elaborated methodologies of retrospective calculations of services, which according to the new accounting system, are currently accounted in the foreign trade in services.Discussion of methodological approaches to the calculation of types of services that have not been previously accounted in the statistics of international trade, according to the accounting practices applied in the EU countries. Questions and Answers Group ІIPractical experience of the EU countries, acquired during the transition period to a new accounting system in the statistics of international trade.Presentation of the European methodology and accounting system of international trade in services which are in line with the Recommendations on Statistics of International Trade in Services and the 6th edition of the Guidance on the compilation of balance of payments.Questions and Answers  |
| Day 315.05.2014 | 10:00 - 13:00Assessment of the compliance of the Ukrainian state statistical observation on foreign trade with the EU standardsQuestions and Answers Discussion, summing up and outlining recommendations  |

**Consultant and partner**

The mission will be carried out by:

Mr Casper Winter (DK)

Mr Søren Burman (DK)

Mr Poul Uffe Dam (DK)

**Beneficiary Institution:**

Anatoliy Fryzorenko, Director, Trade statistics Department, SSSU

Valentyna Krugliak, Deputy Director, Trade Statistics Department, SSSU

Tetyana Poremska, Head of the Unit, Foreign trade in services statistics, SSSU

Viktor Kostyrko, Chief specialist-economist, Foreign trade in services statistics, SSSU

Hanna Opanasenko, Chief specialist-economist, Foreign trade in services statistics, SSSU

Maryna Lesnikova, PhD in economics, Senior Research Assistant, Scientific Research Institute, SSSU

**Scheduling**

The Mission will take place on May13 – 15, 2014 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. 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 representatives of the Trade Statistics Department (SSSU) and the EU experts (Statistics Denmark) 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 8.1: Working mission

22-24 October, 2014

**Component 8: Foreign Trade Statistics. Activity 8.1: Working mission**

**Experts:**

**Mr Casper Winter (DK)**

**Mr Poul Uffe Dam (DK)**

**Date: 22.24/10/2014**

**Working language: English**

**Interpreter: Svitlana Taranova**

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| --- | --- | --- |
|  | Morning | Afternoon |
| Tuesday21/10/2014 |  | 22:25 Arrival to Kyiv (Boryspil airport)Transfer from the airport arranged with Vitaliy (+380934171888) (price: €25) You can pay on your way home, €50 roundtripReservation at Rus Hotel:Mr Casper Winter # 1247095 (single superior)Mr Poul Uffe Dam # 1247094 (single superior) |
| Wednesday22/10/2014 | **10:00 Arrival to the SSSU** At the entrance to the SSSU you will be picked up by Kateryna Zhulay, Protocol Department**Address:** 3 Shota Rustaveli Str., Room 412**10:00 – 13:00**Discussion of the mission programme and tasks.Assessment of current state of statistics of trade in services following the introduction of a new methodology of Foreign trade statistics of Ukraine and international Classification of services that are in line with the recommendations of the Manual on Statistics of International Trade in Services (MSITS 2010, 2010) and the sixth edition of Balance of payments and international investment position manual (IMF, 2009).Introduction to the tools, programme, organizational and implementation procedures, procedures of processing and dissemination of the results of the state statistical observation on foreign trade in services.Presentation of the SSSU methodology of retrospective calculations of transport and insurance services, which according to the new accounting system are currently taken into account in foreign trade in services; introduction to methods of calculating "Traveling" section in foreign trade statistics basing on administrative data.Discussion on EU methodological approaches to calculation of types of services that have not been accounted in foreign trade statistics before. Questions and Answers  | **14:30 - 17:00****To be continued** |
| Thursday23/10/2014 | **10:00 Arrival to the SSSU** **Address:** 3 Shota Rustaveli Str., Room 412**10:00 – 13:00** Presentation of the SSSU methodology of retrospective calculations of processing services, which according to the new accounting system are currently taken into account in foreign trade in services.SSSU presentation of the experimental calculations of the aforesaid services.Discussion on the EU methodological approaches to calculation of services that have not been accounted before in the foreign trade statistics.Expert advice on the linking between the accounting of products/goods and services in foreign trade statistics during the transition to a new accounting system.Expert advice on the European methodological approaches to calculation of such services.Questions and Answers. | **14:30 - 17:00****To be continued** |
| Friday24/10/2014 | **10:00 Arrival to the SSSU** **Address:** 3 Shota Rustaveli Str., Room 412**10:00 – 13:00** Expert assessment of compliance of Ukrainian state statistical observation on foreign trade in services with the EU standards during the process of implementation of the new methodology and accounting system. Questions and Answers.Discussion, conclusions and recommendations. | 15:40 Departure from Kyiv (Boryspil airport)Transfer to the airport arranged with Vitaliy (+380933203140) |

**Participants:**

Statistics Denmark

Mr Casper Winter (DK)

Mr Poul Uffe Dam (DK)

SSSU

Anatoliy Fryzorenko, Director, Trade Statistics Department, SSSU

Valentyna Kruglyak, Deputy Director, Trade Statistics Department, SSSU

Tetyana Poremska, Head of the Unit, Foreign trade in services statistics, SSSU

Viktor Kostyrko, Chief specialist-economist, Foreign trade in services statistics, SSSU

Olga Dolinska, Chief specialist-economist, Foreign trade in services statistics, SSSU

Hanna Opanasenko, Chief specialist-economist, Foreign trade in services statistics, SSSU

Maryna Lesnikova, PhD in economics, Senior Research Assistant, Scientific Research Institute, SSSU

Larysa Matronich, Head of the Unit, Foreign trade in goods statistics, SSSU

# Annex 3 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

Hanna Opanasenko, Chief specialist-economist, Foreign trade statistics

XXX, Foreign trade in goods statistics