

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
9.1.1 Assessment mission**

Mission carried out by Michel Lacroix, INSEE France

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List of Abbreviations

ToR	Terms of Reference
SSSU	State Statistics Service of Ukraine
SD	Statistics Denmark
EGR	European Group Register
ESSnet	European Statistical System Network
INSEE	Institut National de la Statistique et des Etudes Economiques
IFRS	International Financial Reporting Standard

I would like to express my thanks to all officials and individuals met for the kind support and valuable information which I received during the stay in Ukraine, and which highly facilitated my work.

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

1 - Executive summary

The purpose of the activity 9.1 “Recoding of the enterprises groups” is to transmit to the Ukrainian statistical office all the informations allowing to set up a register of identification of the enterprise groups within the Ukrainian statistical business register.

It was the first mission to be devoted to this activity. The mission is aimed to get information about the sources of data, norms and methodology for identification of the enterprise groups in the statistical register of enterprises, establishment of financial controlling relations between legal units.

The concrete objectives of this mission were:

- To present the “state of the art” for identification of enterprise groups
- To have an inventory of the current state of the Ukrainian enterprise statistical register
- To study the specific case of enterprise groups controlled by the State
- To make an assessment of the different possible ways to identify ukrainian enterprises group units according to Ukrainian background

2 - General comments

A detailed information about the references to the statistical “enterprise group” unit in various European regulations was presented as well as a detailed report on the European obligations concerning the production of statistics on them. The activity of the various working groups (ESSnet) on the statistics of the groups (in the course of achievement) and on the projects to come was also presented with in particular the works on the revision of the definition of the statistical units “enterprises” and “enterprise group” and the works on the elaboration of the EGR.

The construction of a register of enterprises groups requires the knowledge of the financial links and of the links of control existing between the legal units. The various conceptual elements and the practical methods allowing to build the perimeter of a group from the knowledge of these links were presented.

The construction of enterprise group statistical units thus requires the existence of a register of the legal units as well as a set of data on these links. The SSSU thus presented the functioning of its business register (until now, the statistical unit “enterprise” is likened to the legal unit in the Ukrainian statistical business register).

The knowledge of the financial links and of the control rate which can exist between the legal units is the basic information which is necessary to have to build the perimeter of the groups. To know these links, two non exclusive main methods can be envisaged :

- to launch a survey with a set of legal units to collect the links of a legal unit with other legal units (of type mother or daughter) ;
- to gather the already existing information in various sources allowing to build these links.

At this stage it is too early to decide if the effort has to concern the development of a specific survey or if the existing sources allow to build the links between legal units and to build the perimeter of the enterprise groups. It is likely that a combination of these two methods will be necessary.

The SSSU undertook researches in the various available statistical sources to inventory those supplying informations describing the financial links or the control rate between legal units. A set of sources seem to supply useful informations but more elaborate investigations are necessary. These investigations will be led by the next mission.

The specific case of the «enterprise groups» controlled by the State was examined. Some of these entities (the terminology enterprise or enterprise group is voluntarily avoided at this stage of investigation) are very heterogeneous in several points of view. On one hand, the economic activities in which they intervene can be very varied and on the other hand, these entities seem to be at the same time productive structures and administrative structures. It is advisable to examine individually the structure of these entities to extract the strict productive part from it then to structure this productive activity according to rules of construction of the statistical units of type enterprise and enterprise group.

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 the statistical units at level of enterprise groups. But it does not exist until now a complete information system collecting the financial links and the control links between legal units. The rules of constitution of the perimeter of the enterprise groups are complex and appeal at the same time to statistics standards and to financial and accounting standards (standards IFRS notably) which exceed generally the field of competence of the statisticians.

4 - Conclusions and recommendations

The objective to insert statistical units at «enterprise group» level in the statistical business register appears a reasonable and reachable objective conditioned by the implementation of a system of identification of the financial and control links between the legal units.

Taking into account the elements presented above, the following recommendations are proposed.

1st recommendation

This first mission only allowed to present the main lines of these standards. It is proposed to pursue these presentations during the next mission (and probably throughout the twinning). Training on international accounting standards (IFRS) will be also necessary during the twinning.

2nd recommendation

The construction of the links requires to mobilize different sources which are not in the usual field of the experts of the business register. A first inventory of these sources was realized. It is now advisable to more in depth analyze these documents to make a precise inventory of the informations really useful for the constitution of the links.

It is proposed that the team gathered around this project proceeds to a detailed evaluation of the useful information contained in these documents, of the possibilities to collect them, to coordinate them so that it is possible to estimate to what extent they can allow to constitute a database of the links and (or) to what extent it will be necessary to implement a complementary collection of information.

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

3rd recommendation

To give a more operational character to this objective, it is suggested making a test on 5 to 10 groups of the private sector the composition of which in legal units is known of the SSSU (by researches on annual reports for example). The objective is to verify to what extent it is possible to describe the perimeter of a group in legal units and to describe all the links in using only the statistical documents which the team will have been able to monopolize.

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

4th recommendation

The public groups often have a structure different from groups of the private domain. Their statistical treatment requires an adaptation of the standard European statistical rules. It will thus be necessary to finalize a method of treatment of these entities to give to them a structure and a perimeter corresponding to the standards applied for the other groups. The concerned entities are very heterogeneous. **It is suggested to the team in charge of the project to select about 10 large-dimension public groups and to analyze their structure with the aim of reconstructing an economic structure of these groups compatible with the statistical definition of enterprises groups.**

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

Annex 1 : Terms of Reference

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

March 18-21, 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 Expert: Michel Lacroix (INSEE - France) Date: 18-21/03/2014 Working language: French Interpreter: Liliana Lehbab		
	Morning	Afternoon
Monday 17/03/2014		17:25 Arrival to Kyiv (Boryspil airport) Transfer from the airport arranged with Vitaliy (+380934171888) (price: €25) You can pay on your way home, €50 roundtrip <i>Please confirm if transfer is needed</i> Reservation in the Hotel Rus: 1116160 # (standard room)
Tuesday 18/03/2014	09:30 Arrival to the SSSU You will be picked up by Mr R.Vnukov, Director, unit of protocol Address: 3 Shota Rustaveli Str., Press center 09:30-13:00 Assessment of current situation, discussion of issues and mission program.	14:30 – 16.30 To be continued

	<p>Familiarization with the EU regulations on accounting of enterprise groups in the statistical register;</p> <p>Familiarization with the experience of the EU statistical offices in accounting of enterprise groups, coordination of administrative and accounting data on enterprises.</p> <p>Questions and Answers</p>	
<p>Wednesday 19/03/2014</p>	<p>09:30 Arrival to the SSSU</p> <p>Address: 3 Shota Rustaveli Str., Press center</p> <p>09:30-13:00</p> <p>Information about the current state of the enterprise statistical register and outlining existing opportunities to identify the enterprise groups and establish relationships between enterprises.</p> <p>Discussions on the structure of enterprise groups, sources of data on enterprise groups and preparation of information on enterprise groups.</p> <p>Questions and Answers</p>	<p>14:30 – 16.30</p> <p>To be continued</p>
<p>Thursday 20/03/2014</p>	<p>09:30 Arrival to the SSSU</p> <p>Address: 3 Shota Rustaveli Str., Press center</p> <p>09:30-13:00</p> <p>Profiling as a method to analyse enterprise groups, including for identification of public sector.</p> <p>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.</p> <p>Questions and Answers</p>	<p>14:30 – 16.30</p> <p>To be continued</p>

Friday 20/03/2014	09:30 Arrival to the SSSU Address: 3 Shota Rustaveli Str., Press center 09:30-13:00 Establishment of enterprise financial relationships in the statistical register and establishment of enterprise relationships using the "one-to-many" principle. Discussion of the types and rules to identify the controlling relations. Updating and amending the established relationships between enterprises and their recording in the statistical register Discussion, drawing conclusions and presenting recommendations	17:35 Departure from Kyiv (Boryspil airport) Transfer to the airport arranged with Vitaliy (+380933203140)

Participants:

Mr Michel Lacroix (INSEE, France)

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 at 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.

MS Olena Timofeeva – Chief Specialist – Economist of Unit for Generation of Statistical Observation Populations

Ms Olga Sushich – Head of Division for Keeping the Statistical Units Register of Main Inter-Regional Statistics Administration in the City of Kyiv

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 at 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.

MS Olena Timofeeva – Chief Specialist – Economist of Unit for Generation of Statistical Observation Populations

Ms Olga Sushich – Head of Division for Keeping the Statistical Units Register of Main Inter-Regional Statistics Administration in the City of Kyiv

RTA Team:

Irina Bernstein , RTA

Olga Burbelo, RTA assistant

Liliana Lehabab, interpreter

Annex 3. List of presentations made during the mission

Main European regulations.ppt

Diagram.ppt

Statistics on enterprise groups.ppt

The French statistical business register.doc

Enterprises perimeters.ppt