

## **TWINNING CONTRACT**

# **Development of new statistical methodologies and indicators in selected areas of statistics in line with EU statistical standards**

**Ukraine**



## **MISSION REPORT**

**on**


**Foreign direct investment**

**Component no.3.2**

Mission carried out by Ryan Loesch, Statistics Sweden

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		 <b>STATISTICS DENMARK</b>

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

*Ryan Loesch  
Statistics Sweden  
Box 24300  
SE -104 51, Stockholm  
Sweden  
Tel:0850694408  
Email: ryan.loesch@scb.se*

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## List of Abbreviations

ToR	Terms of Reference
SSSU	State Statistics Service of Ukraine
INE	Statistical Office of Spain

## **Executive Summary**

### **1. Background and brief history**

The objective of the first mission was to get familiarized with the existing data collection system of foreign direct investment (FDI) of the Ukraine. The main areas of observation during the mission included, effective methodological principles, data sources and the dissemination of data related to direct investment. Moreover, recommendations for implementing certain provisions of direct investment will be prepared by the EU expert in compliance with the OECD Benchmark Definition of Foreign Direct Investment 4<sup>th</sup> edition.

### **2. Obstacles**

There were two main limitations that made it difficult to get an understanding of what was actually required. The first hurdle was the combination of two missions into one. More specifically, the combination made it difficult to get a clear understanding of the areas of improvement with such a short amount of time spent on the component, FDI.

Secondly, the late arrival of documents translated into English. This late arrival made it difficult to understand the sources of data collection and a more thorough session of questions and answers was never possible.

### **3. Next steps**

However, with the mentioned obstacles already in place, the mission was able to further work in achieving three considerations of improvement. The considerations are as following:

- a. Suggestions on the survey 10-fea foreign direct investment in the Ukraine
- b. Mirror statistics
- c. Suggestions in handling respondents that no longer can be found

## 1. General comments

This mission report was prepared within the Twinning Project Development of new statistical methodologies and indicators in selected areas of statistics in line with EU statistical standards”. It was the first mission to be devoted to foreign direct investment within Component 3.2 of the project. The mission was aimed at defining a strategic plan forming the base of the further implementation of the project in this statistical area.

The concrete objective of the mission was:

- To give consultation for improving the methodology of the surveys

- *presentation of the objectives of the mission*
- *where necessary reference to other parts of the project / to other missions*
- *where necessary background information*

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

This views and observations stated in this report are those of the consultant and do not necessarily correspond to the views of EU,SSSU or Statistics Denmark / Statistics Finland/ Statistics Lithuania / Central Statistical Bureau of Latvia / Statistical Office of the Slovak Republic / INE / Statistics Sweden.

## 2. Assessment and results

In the Ukraine FDI data is collected through surveys sent to respondents that fall within the criterion of 10% or greater ownership. These surveys are done on a quarterly basis. A business register is used to extract a survey population. Regional statistical offices collect and compile the micro FDI figures and send the figures to the main statistics headquarters (State Statistics Service of Ukraine) in Kyiv. The SSSU is in close cooperation with the National Bank of Ukraine who is in charge of compiling the balance of payments and also any methodologies used.

The objective of the first mission was to get familiarized with the existing data collection system of foreign direct investment (FDI) of the Ukraine. The mission was able to further work in achieving three considerations of improvement. The considerations are as following:

- a. Suggestions on the survey 10-fea foreign direct investment in the Ukraine
- b. Mirror statistics
- c. Suggestions in handling respondents that no longer can be found

## 3. Conclusions and recommendations

*List conclusions and recommendations related to the activities mentioned in the ToR.*

In conclusion, a couple suggestions on survey 10-fea could be code 10 Acquisition of corporate rights due to privatisation of state property. This code 10 is difficult to deduce if it is incorrect in the translation, but rights or licenses, etc. are not part of foreign direct investment but are rather part of capital transfers. A second suggestion might be the addition of greenfield investments. It is difficult to find in the survey if a specific investment is a greenfield. Greenfield, in other words is a new establishment whether it may be Ukrainian abroad or foreign establishment in the Ukraine.

As mentioned during the mission, mirror statistics are a difficult area for foreign direct investment. Difficulties are present due to the fact that different methods of compiling these statistics are common between countries. The European Union is trying exercises in order to decrease the asymmetries in FDI statistics.

Finally, suggestions related to the handling of respondents that no longer can be found. This is also an area a bit outside of the scope of foreign direct investment and involves the basic infrastructure of a business register. For example if an enterprise is dormant in Sweden it is still required by law to report to the business register.

*Actions needed for preparing the next mission – fill out and add tables as needed.*

<b>Action</b>	<b>Deadline</b>	<b>Responsible person</b>
Code 10 – review of BPM6		
Greenfield investment OECD manual paragraph 272.		

## **Annex1.Terms of Reference**

### ***Component 3.2 Survey of Direct Foreign Investments***

#### ***Activity 3.2.1 Assessment of Modern System for National Survey related to direct foreign investments***

#### **Background information**

Statistics Denmark in partnership with Statistics Finland, Statistics Lithuania, Central Statistical Bureau of Latvia, Statistical Office of Slovak Republic, INE Spain - National Statistical Institute of Spain and Statistics Sweden, implements in Ukraine "Development of New Statistical Methodologies and Indicators in Selected Areas of Statistics in Line with EU Statistical Standards" Twinning Project. The State Statistics Service of Ukraine (State Statistics of Ukraine) is the Beneficiary of this Project).

This action is being implemented under Component 3.2 *Survey of Direct Foreign Investments*. *The purpose of this Component is to improve the statistical tools for survey of direct foreign investments in accordance with methodological requirements of Standard determination of direct foreign investing.*

This action will contribute to achieving the abovementioned objective and reference indicators specified in the contract, namely: *improvement of survey of direct foreign investments to harmonize it with EU standards.*

#### **Purpose of the Mission**

The prior purpose of the mission is: *Improve knowledge and practical skills of SSSU concerning accounting of direct foreign investments in the context of Standard **determination** of direct foreign investing (OECD, 2008).*

#### **Expected Results**

*Getting familiarized with the existing national observation of direct investments (effective methodological principles of observation, statistical tools, breakdown of development and publication of data related to direct investments etc.).Getting familiarized with European practice of statistical surveys in terms of direct investments.Receiving the recommendations from experts concerning improvement of statistical tools.*

#### **Actions**

The tentative schedule of the mission is the following:

Date: 24.04.12

Date: 27.04.12

#### **Tasks to be fulfilled by SSSU to facilitate the mission**

The Beneficiary will ensure the following:

Attendance of experts of division, which is engaged in national observation of direct investments (investments of foreign economic activity) and conducts its organizational and methodological support.

**Timing**

The mission will be conducted within four days in Ukraine.

**Report**

The summary report on the results of the mission should be submitted not later than two weeks after the mission is completed.

## **Annex 2. Persons met**

### SSSU:

L. M. Ovdenko – Director of Production Statistics Department;  
M. M. Sobko – Deputy Director of Production Statistics Department;  
T. Ye. Kobzeva – Head of Unit for Statistics of Investments of Foreign Economic Activity,  
Production Statistics Department;  
S. P. Karpinska, O. M. Antonova, O. M. Faraon – Chief-Experts – Economists of the same  
unit.

### RTA Team:

Irina Bernstein , RTA  
Volodymyr Kuzka, RTA Assistant  
Oleh Sliusarenko, Interpreter