

## **TWINNING CONTRACT**

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

## **Ukraine**



## **MISSION REPORT**

**on**

### **Classifications on Structural Statistics**

#### **1.4.2 Study visit on implementing NACE Rev.2 in SBS**

Mission carried out by

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*Statistics Lithuania, Vilnius*

23-25.05.2012

Version: Draft

		 <b>STATISTICS DENMARK</b>

**IPA 2007**

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**List of Abbreviations**

SBS	Structural Business Statistics
SRS	Stratified Random Sample
SSSU	State Statistics Service of Ukraine
ToR	Terms of Reference

## Executive Summary

*If report-core text- exceeds 4 pages*

*Include information to Project Leaders and the RTA.  
Main conclusions and highlights from findings.*

## 1. General comments

The study visit of Statistics Ukraine to the Central Statistics Department of Lithuanian Republic (hereinafter – Statistics Lithuania) took place with the Component “Classifications in structural business statistics” under Twinning Project No.10/ENP-PCA/FI/26 “Development of new statistical methodologies and indicators in selected areas of statistics in line with EU statistical standards”.

The main purpose of the study visit was to acquire expertise in issues of identifying methods and procedures for recalculation of time series within SBS in order to implement Classification of Economic Activities (KVED-2010) harmonized with NACE Rev.2.

In compliance with the Terms of Reference approved by the Foreign Ministry of Ukraine Letter No. 630/16-142-2765 dated May 7, 2012, consultations have been performed on the following:

- organization and methodology of SBS in Lithuania (data collection, processing and dissemination);
- methodological and practical aspects of interrelation of SBS with the national accounts system, the Business Register and branch statistics;
- identification of the method and the procedure for recalculation of time series within SBS in order to implement NACE rev.2;
- specifics of the procedure and the methodology of generation of the reporting units population to conduct structural business statistics during the implementation of NACE rev.2 and preparation of a report on SBS data quality.

In addition, participants of the study visit were familiarized with the organizational structure of Statistics Lithuania

## 2. Assessment and results

### *Organizational structure of Statistics Lithuania*

Pursuant to the national legislation, Statistics Lithuania is a governmental institution subordinate to the Finance Minister of Lithuania. The organizational structure of the national statistics HQ and the Statistical Activities Program is approved by the Lithuanian Government by submission of the Finance Ministry. Approval of the reporting statistical tools lies within the competence of Statistics Lithuania.

The organizational structure of Statistics Lithuania is represented by units working in the following main statistical activities: macroeconomic statistics, business statistics, social and demographic statistics, IT. Statistics Lithuania has 5 regional offices (10 prior to the regional reform) responsible for collection and primary processing of statistical data (their maintenance and adjustment) as well as for providing statistics to local authorities. Collection of reporting from respondents is based on transferring under a statistician's responsibility specific enterprises which provide all statistics (business statistics, social statistics, etc.) Around 70% of respondents give preference to electronic reporting (fully or partly).

SBS (annual and quarterly) are within competence of the Business Statistics Unit which employs 42 specialists. Besides, the Unit is responsible for statistics of enterprises under Foreign Affairs Trade Statistics (FATS) control and monthly surveys of enterprises' business activity.

### *Business Register of Lithuania*

Business Register of Lithuania is the main tool enabling a coordinated approach to generating reporting units populations within business statistics. Populations for the reporting year (t) and for the next year (t+1) for all business statistics surveys are generated in November, year t.

The Lithuanian legislation distinguishes three types of market enterprises:

- state companies and all types of joint stock companies who compile financial statements;
- individual enterprises (one owner entitled to hire employees) file an income and expenditure tax return;
- individuals who carry out licensed/patented economic activity (hereinafter – natural entities-entrepreneurs) compile a simplified form of an income tax return.

As of early 2012, the Lithuanian Business Register had about 182 thousand entities, of which nearly 84 thousand legal entities, including non-profitable organizations, state and local budgetary establishments.

The implementation of NACE rev. 2, urged the finalization of activities on of the Register units double coding. Special surveys of the register (for 1:n cases), automated re-coding (1:1) and probability method were used for units re-coding in compliance with the new classification.

Activities on double coding of units were conducted in the Business Register for 2005-2007 aiming at back-casting.

Pursuant to the European SBS legislation, companies' demographic information has been compiled since 2005 based on the Lithuanian Business Register (Annex 9 to Regulation (EC) No. 295/2008 dated March 11, 2008 of the European Parliament and the Council). The specified information is compiled by Eurostat algorithms and it includes data on natural entities-entrepreneurs, which are received as personified data referring to the Agreement on Information cooperation signed between Statistics Lithuania and Tax Inspectorate of Lithuania.

Administrative sources (Tax Inspectorate of Lithuania, Financial Inspectorate of Lithuania, Social Insurance Service) and statistical observations indicators (turnover, number of employees) are used to identify the Register units activeness, including natural persons-entrepreneurs. These sources are used as criteria when generating populations of reporting units of statistical observations. It should be noted here that the Social Insurance Service data have been recognized in Lithuania as a priority data source by the number of employees indicators.

### ***Organization and methodology of the Lithuanian Structural Business Statistics***

Statistical observation within SBS non-financial corporation sector (Annexes 1-4 to EU Regulation No. 295/2008 dated March 11, 2008) covers the entire system of indicators provided for by EU Regulations on SBS, being based upon data of:

- annual structural survey conducted by the Business Statistics Unit;
- environmental statistics developed by the Unit of Agriculture and Environmental Protection;
- statistics of trade ("Turnover" indicator detailing by types of products according to the Statistical Classification of Products (SCP), selling areas, number of retail shops) is developed by the Trade Statistics Unit;
- construction statistics ("Turnover" indicator detailing by types of buildings and structures) is developed by the Unit of Construction and Investment Statistics.

The Lithuanian annual structural business survey covers marketing companies that are obliged by law to compile financial statements and are referred to sections 02-63, 68-82, 85-93, 95-96 NACE rev.2. This survey is not totally enumerated by a level of unit coverage. Of the total 46 thousand companies only 9 thousand enterprises are selected, those which account for 80% of the total turnover and 60% of the total number of employees at the group level (3 digits) according to NACE rev.2. In the SBS questionnaire respondents have to specify the general company data and only data on turnover and number of employees have to be presented with detailing by the main economic activity. This information serves as a basis for annual update of the main economic activity in the Business Register.

To receive statistics on the entire population of statistical units being surveyed within structural statistics, specifically, companies not cover with SBS, individual enterprises and natural persons-entrepreneurs as well as those companies that have become active, the following data are used:

- statistics on short-term statistics (on a number of hours worked by the employees) and quarterly labor statistics survey (on a number of hours worked by the employees, number of employees in the full-time equivalent);
- administrative data of the Finance Inspectorate of Lithuania (financial statement on each enterprise), the Tax Inspectorate of Lithuania (personified data from annual income and expenditure tax returns filed by individual enterprises and annual income tax returns filed by natural entities-entrepreneurs), the Social Insurance Service (primary data on number of hired and actually working employees, employment expenses), etc.

During implementation of the new NACE revision in SBS and double development of SBS data for 2008, reporting units generation was made based on NACE rev.1.1 taking into account representation for NACE rev.2 whereas preparation of the 2008 SBS Data Quality Report was based on NACE rev.2.

Aiming at back-casting of structural indicators for 2005-2007, the Lithuanian statisticians applied a micromethod. The selection of this method can be explained by the availability of microdata on all units and double coding of the Business Register units for the specified periods, as well as by generation statistics on the main activity to meet users' needs. The 2004-2005 statistics was recalculated by the macromethod.

To meet information needs of the national accounts system, structural statistics should be generalized separately on companies-legal entities included into the non-financial corporation sector and on natural persons-entrepreneurs also included into the households sector.

Information on financial organization (credit organizations, insurance commissions, non-state pension special-purpose funds), which is envisaged in Annexes 5-7 to Regulation (EC) No. 295/2008 dated March 11, 2008, information on these organizations is provided to the Financial Services Unit of Statistics Lithuania by the National Bank of Lithuania and supplemented with individual statistical indicators, specifically, on the number of employees, and should be transferred to Eurostat.

Data for structural business statistics of services (Annex 8 to Regulation (EC) No. 295/2008 dated March 11, 2008) are compiled by the Unit of Transport and Services, Statistics Lithuania based on 10 questionnaires filled out by various types of activity enterprises in non-financial services sector. The specified questionnaires provide for Turnover indicator detailing by types of services specific to a particular activity according to the SCP, and by a client's location (resident, non-resident).

In the course of the visit, SSSU representatives worked with the following Lithuanian experts: Jonas Markelevichus, First Deputy Director General, Bronislava Kaminskene, Head of the Methodology and Quality Unit, Nomeda Bratchikovene, chief expert of the Methodology and Quality Unit, Antanina Valulene, Head of the Business Statistics Unit, Zyta Serafinene, Head of the Services Statistics Unit, Gailuteia Yushkene, Head of the National Accounts Unit, Dalia Machuitene, Head of the Business Register Unit, and Daluteia Kavaliauskene, Head of the Selective Methods Unit.

It is worth noting a generally very high level of the study visit organization. The planned activities enabled the Ukrainian delegation to get familiar with all aspects of issues planned for study in compliance with the Terms of Reference.

At the same time, SSSU representatives outlined problematic issues as to back-casting of SBS data according to KVED-2010. These issues deal with selection of a retrospective re-calculation method, taking into consideration of conducting structural survey on small enterprises on a sampling basis; users' need for generalized information according to KVED-2010, where information should be generated both by the main economic activity type (institutional approach) and by similar economic activities (functional approach), in regional breakdown, the need to identify (when selecting macromethod) a procedure for applying various types of conversion matrices to specific SBS indicators, etc.

With due regard for the study visit outcomes, should Ukraine decide to use the macromethod, a "bottom-up" KVED-2010 data re-calculation (e.g. regions – Ukraine) was recommended.

The parties also discussed a package of preparatory works and target dates for the next activity on experimental calculation of SBS time series and their quality assessment. An approximate period is the first ten days of August, 2012.

### 3. Conclusions and recommendations

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## Annex 1. Terms of Reference



This project is funded by  
the European Union



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### Twinning Project

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

#### TERMS OF REFERENCE

representatives of the Department of Statistics and structural Statistics of finance companies  
Derzhstatu Ukraine

- Deputy Director Margarita Kuznetsova,
- Deputy Director of Department - Head of surveys of business activity of enterprises Elena Kolpakova,
- head of the comprehensive measures Neonila Komlyeva,
- head of structural surveys of enterprises Tatyana Zakharova

to participate in a study visit to the Statistics Lithuania in the framework of the project of Twinning "Development of new statistical methodologies and indicators in some areas of statistics according to statistics with EU standards"

(Lithuania, Vilnius, 23-25 May 2012)

During the study tour will explore the following questions:

- Organization and methodology of structural statistics in Lithuania;
- Methodological and practical aspects of the relationship of structural statistics on the system of national accounts statistics registry and industry statistics;
- Determine the method and procedure of recalculation of time series data in the framework of structural statistics in connection with the introduction of NACE, rev.2;
- Particular procedures and methodologies for sampling structural survey of enterprises during the implementation of NACE, rev.2;
- Preparing a report on the results of the structural quality of the enterprises.

## **Annex 2. Persons met**

### ***Statistics Lithuania***

1. Jonas Markelevichus, First Deputy Director General
2. Bronislava Kaminskene, Head of the Methodology and Quality Unit
3. Nomeda Bratchikovene, chief expert of the Methodology and Quality Unit
4. Antanina Valulene, Head of the Business Statistics Unit
5. Zyta Serafinene, Head of the Services Statistics Unit
6. Gailuteia Yushkene, Head of the National Accounts Unit
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