WEBINAR PROCEEDINGS

Improving Statistics Development in Ukraine

First webinar

Methodology for compiling statistics to analyse the development of small and medium-sized enterprises, including at regional and local levels

Tuesday 27 April 2021

10:00 – 13:00 (France and Poland, GMT+1)
11:00 – 14:00 (Ukraine and Israel, GMT+2)
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WEBINAR PROCEEDINGS

Overview

The capacity-building webinar *Methodology for compiling statistics to analyse the development of small and medium-sized enterprises (SMEs), including at regional and local levels* was the first of the three webinars organised within the project *Improving Statistics Development in Ukraine in 2021*, implemented with the financial and intellectual support from Poland and Israel.

The aim of the webinar was to contribute to the development of statistics for more evidence-based SME policy-making in Ukraine, and to improve data comparability with the OECD member countries. The webinar focused on the methodology for compiling statistics to analyse the development of small and medium-sized enterprises. Building upon the recommendations developed in the *Compendium of Enterprise Statistics in Ukraine 2018*, this workshop aimed at sharing the best practices and methodologies in the development of structural business statistics in Ukraine. The webinar shed light on the development, production, and dissemination of SME business statistics, including at subnational level with particular reference to the latest European Standards.

Following the opening remarks, the OECD experts from the Centre for Entrepreneurship, SMEs, Regions and Cities, OECD highlighted the importance of good quality, internationally comparable statistical data to measure and benchmark SME and entrepreneurship performance and why sub-national indicators are important to measure business dynamics for regional development.

During the second session, experts from Statistics Poland and Israel’s Central Bureau of Statistics presented methodologies and best practices for developing statistics about the SME sector.

The concluding remarks wrapped up the discussions and provided an overview of the main highlights and way forward to develop SME statistics in Ukraine.

Opening remarks and introduction

The seminar was moderated by Mr Bill Tompson, Head of the Eurasia Division, OECD.

Opening remarks were delivered by H.E. Mr Bartosz Cichocki, Ambassador Extraordinary and Plenipotentiary of Poland to Ukraine. Ambassador Cichocki highlighted the importance of co-operation between Poland, Israel, and the OECD to improve statistics development in Ukraine. The Ambassador reminded that Poland was the first donor of the OECD Eurasia Competitiveness Programme. He also reaffirmed the Poland’s commitment to supporting the region’s development, and statistics development in Ukraine, in particular.

H.E. Mr Joel Leon, Ambassador Extraordinary and Plenipotentiary of Israel to Ukraine, greeted the participants and acknowledged the significance of the partnership between the OECD and Israel to improve statistics development in Ukraine.

Mr Vadym Pishcheiko, Advisor to the Chair at the State Statistics Service of Ukraine, welcomed the participants and expressed his gratitude to the OECD, Poland, and Israel for supporting the State Statistics Service of Ukraine in its efforts to align with European standards. Mr Pishcheiko noted that UkrStat will undertake the third global assessment from Eurostat in 2021, and many actions remain to be undertaken to improve statistics development in the country.

Session 1: Introduction, challenges, and approaches to develop regional and sub-national SME statistics

The first session began with a presentation on *Measuring Business Demography for Regional Development* delivered by Mr Paolo Veneri, Head of the Statistics and Territorial Analysis Unit in the OECD Centre for Entrepreneurship, SMEs, Regions and Cities. In his presentation, Mr Veneri referred to the ongoing project
conducted by the OECD Centre for Entrepreneurship, SMEs, Regions and Cities since late 2016, which has sought to develop indicators to measure business demography at the sub-national level.

Mr Veneri started his presentation by stating that firm dynamics are a regional phenomenon – there is a large variation in firm birth rates both between and within countries. Mr Veneri identified the spatial heterogeneity in business activity and lack of cross-country comparable data sources and indicators at the subnational level as the main motivation for conducting the project. Mr Veneri noted that this project aims to create a database of business demography at the regional level. He stressed that while developing this project, the team builds upon existing cross-country databases at the national level, based on the Eurostat-OECD Manual on Business Demography Statistics (2007) and the OECD-Eurostat Entrepreneurship Indicators Programme (2006), and the Eurostat regional database at the sub-national level.

The issue of harmonisation of data across multiple sources was highlighted, stemming from differences in definitions between countries and the so-called “headquarter bias”. Here, Mr Veneri highlighted that indicators based on the location of headquarters (enterprise approach) are better suited to measure firm dynamics, while indicators based on the location of plants (establishment approach) are more suitable for examining employment in business.

Mr Veneri listed the main indicators collected in the enterprise database, which included the number of active firms, birth/death/survival rates of firms, as well as some employment indicators. Mr Veneri stressed that the most important aspect is the geographic dimension, and the team has been using the classification of large (TL2) and small (TL3) regions, according to the OECD Territorial Grid. Mr Veneri noted that the project covers data from 2007 to 2018 (approximately). The key findings of the project highlight that:

- On average, new firms constitute around 11% of all firms, but there is a substantial regional variation. New firms are concentrated in urban and most productive regions. Higher dynamics of firms is associated with a number of characteristics, such as better local governance, more developed research and development infrastructure, lower financing constraints, and a more educated labour force.
- Business births create around 3.2% of new jobs. In small regions this share can be higher.
- Enterprise approach is susceptible to bias from a region’s actual share of national employment.

Mr Veneri presented his findings showing that firm creation rates and net firm creation rates were higher in metropolitan regions. Capital regions are also particularly dynamic.

A list of regional factors influencing business dynamics across OECD countries was provided, such as the quality of institutions, EU Cohesion funds in case of the EU countries, credit constraints, and human capital and innovation. Mr Veneri highlighted that the quality of local governance is positively correlated with firm creation. The OECD stressed that the challenge of having regional level breakdowns remains, with a particular difficulty in having a breakdown in size and sector. The main research and findings of this project are presented in the OECD publication. The Geography of Firm Dynamics: Measuring Business Demography for Regional Development.

Ms Sandrine Kergroach, Head of the SME and Entrepreneurship Performance, Policies and Mainstreaming Unit in the OECD Centre for Entrepreneurship, SMEs, Regions and Cities presented the OECD’s approach to the determinants of SME performance and how it monitors the SME business environment. Ms Kergroach reminded the audience that SME productivity is important as it directly relates to job creation, wages, capacity to grow and innovate, and ultimately to the economic contribution of the enterprises. The expert highlighted that the number of enterprises has significantly increased in the period between 2008 and the onset of the COVID-19 crisis in many OECD countries. Over this period some countries (the UK, France) saw the number of start-ups double, driving job creation. At the same time, Ms Kergroach emphasised that the new jobs were created primarily in low productivity sectors: for example, since 2010, around 90% of new jobs created in France were in low-wage sectors, 75% in the US, 66% in Germany and the UK.

While pointing to the widening productivity gap between small and large firms, she also stressed that between 2010 and 2016, the contribution of SMEs to the value added created in knowledge-intensive services
increased, and that in most countries there are SMEs that outperform large firms and are taking the lead in digital-intensive sectors.

Ms Kergroach presented the “6+1 analytical framework” to use to evaluate SME and entrepreneurship performance. The first 3 pillars consider the business environment and include:

- **Institutional and regulatory framework** – taxation, competition policy, regulation effectiveness and appropriateness to SMEs, existing laws and work of courts, land and housing policies, public administration.
- **Market conditions** – domestic market, capacities to integrate into global markets, capability to access public procurement, trade, and investment opportunities.
- **Infrastructure** – digital / transport / energy infrastructure, capability to deliver to the final user market.

The next three pillars, mentioned by Ms Kergroach, concern the SMEs capacity and opportunities to access strategic resources, including:

- **Access to finance** – self-funding, credits, alternative instruments, the overall functioning of the financial system.
- **Access to skills** – training and education, adult literacy, entrepreneurial culture.
- **Access to innovation assets** – capability to access data, technology, networks, R&D, and organisational business model processes.

The last “+1 pillar” corresponds to the SMEs and entrepreneurship policy governance, which affects and coordinates all the other pillars.

Ms Kergroach emphasised the complexity of existing policy systems characterised by:

- High heterogeneity of SMEs with different trajectories and active in different sectors and geographical areas.
- Cross-cutting issues with different policy domains, and with different ministries / departments / agencies involved.
- Multilevel governance – to account for the influence of local ecosystems on SMEs and subnational policies.

Ms Kergroach stressed that such a complex policy space requires a whole-of-government approach to design effective SME policies, as well as building capacity and broadening the knowledge and evidence base.

Lastly, Ms Kergroach referred to the OECD Scoreboard, capturing trends in the state of financing SMEs and entrepreneurs, and announced a pilot phase of disaggregated data collection that is expected to be launched in spring 2021. Ms Kergroach also mentioned the SME and Entrepreneurship Outlook, which is an OECD biennial review that uses the 6+1 pillars analytical framework, as well as the research infrastructure bringing together the indicators on SME&E performance, business conditions, policy repository, and analytical tools.

### Session 2: Methodologies for compiling, analysing and disseminating SME statistics in Ukraine

**Ms Katarzyna Walkowska, Head of Enterprises Department at Statistics Poland**, opened the session by presenting the Law on Official Statistics of 29 June 1995 which remains the basis for the annual Statistical Survey Programme of Public Statistics (PBSSP) established by Statistics Poland in cooperation with ministries, National Bank of Poland, and other institutions. Ms Walkowska presented the Polish Statistical Business Register (SBR) that covers all entities conducting all kinds of activities, including the non-business sector (financial entities, schools, non-profit organization etc.). All units in the SBR have a unique statistical number (REGON) as well as the Tax Identification Number. SBR is updated on the basis of statistical surveys and administrative data.

Ms Walkowska provided a general overview of the main surveys concerning non-financial enterprises conducted by Statistics Poland, including SMEs. These include: i) monthly reports on economic activity; ii) quarterly survey on revenues, costs, financial results and outlays on fixed assets; iii) annual survey of economic
activity of enterprises (with specific methods of data collection depending on company size: a sample survey for enterprises with less than 10 persons employed and an annual census survey for enterprise with 10+ persons employed). Ms Walkowska explained that the criteria for determining the size of enterprises include the average annual employment, annual net turnover from sales and financial operations, and total assets.

Ms Walkowska provided more information about the Annual sample survey of microenterprises: the survey is based on a sample of 4%-6% of a population of around 110 000 units with up to 9 persons employed. The survey is based on a stratified sampling scheme in which the basic division into layers is determined according to the predominant kind of activity, regions, legal form, size class, and year of creation. The survey comprises data related to the basic information on the enterprise; number of persons employed and wages; fixed assets and intangible fixed assets, as well as the size and results of the activity. Ms Walkowska also presented the Annual census survey of enterprises with 10+ persons employed that covers the basic data about the enterprise, full balance sheet, full profit and loss account, and fixed assets and outlays.

Ms Walkowska emphasised that basic variables are published according to size classes, legal forms, the type of accounting records kept, the kind of activity, and the territorial division. Basic information on the structure and economic results are presented in the annual study “Activity of non-financial enterprises” containing all entities regardless of the size class and type of the accounting records kept. Regarding various databases used by Statistics Poland, Ms Walkowska highlighted BDL Local Data Bank, BDM Macroeconomic Data Bank, and DBW Knowledge Databases for Non-Financial Enterprises.

Ms Walkowska also mentioned that the Annual survey of enterprise groups covers both enterprise groups and legal entities included in them. The data collected through the survey is also used in the Statistical Business Register. Ms Walkowska also informed that since 2018, SBS data for Poland are elaborated on the basis of the statistical unit enterprise being equivalent to 1 or more units.

Ms Walkowska, emphasised that the main changes and challenges faced by Statistics Poland after the introduction of new EU regulation (Regulation (EU) 2019/2152 of the European Parliament and of the Council of 27 November 2019 on European business statistics, repealing 10 legal acts in the field of business statistics) were: the requirement to collect provisional data on SMEs within 10 months of the reference period (including number of active enterprises, turnover, and number of employees), extending the NACE Rev.2 activity breakdown to the additional service sections, restructuring data requirements for the financial and insurance activities sector, as well as introduction of new triennial statistics on global value chains and international sourcing.

**Ms Agnes Topiol, expert from the Business Register Division of Israel Central Bureau of Statistics (ICBS)** made a presentation on How ICBS tackles SMEs, with a focus on specific types of SMEs. Ms Topiol began by noting that the SME population in Israel plays an important role in research, development and innovation, and provides products and services that can be sold abroad and thus overcome the limited size of the domestic market in Israel.

Ms Topiol provided a brief overview of the process of business statistics production in Israel. She highlighted that the Israeli Business Register (BR) is a pillar of the infrastructure to compile business statistics in the country. The BR is based on the data from several administrative documents provided by Tax authorities and the National Insurance Institute. Ms Topiol informed that administrative files are matched through a single legal ID (a 9-digit number). This is a “smart ID”, providing useful insight about the types of businesses, such as associations, foreign affiliates or branches, cooperatives, and regular businesses. Ms Topiol stressed that the BR is the main source of information on businesses, business demography statistics and the main source used to create sample frames and survey samples.

Ms Topiol emphasised that the types of qualitative data included in the BR (names, identifiers, address, contact details, main activity description etc.) are similar to other business registers compiled around the world. The Israeli BR also includes information on the Institutional Sector, which is calculated according to the System of National Accounts 2008, as well as business characteristics of the businesses of particular interest for Israel’s economic policy: start-ups, international R&D centres, fintechs, and others.
With regards to the quantitative data contained in the BR, Ms Topiol stated that the Israeli BR includes a similar set of indicators that is used in other countries. The information on the number of employees, labour cost, revenue, and free VAT revenue is updated monthly, while the data on turnover, exports value of goods, and total balance sheet are normally updated on a yearly basis.

Ms Topiol presented a list of short-term that rely on the information provided in the BR. Ms Topiol stressed that, in Israel, as in many countries, there is a focus on the topics linked to technology and globalisation. During the COVID-19 crisis, a great attention was paid to the results of the short-term survey on the consequences of lockdowns for businesses.

Later, Ms Topiol provided an overview of the main business demography indicators in Israel, which include the number of active businesses, births and deaths of businesses, business survival rate, and high growth businesses. She stressed that the SMEs are of particular importance for business statistics because the SMEs represent the large majority of businesses worldwide, they provide about 70% of the total workforce and represent more than half of the total value added in the European Union.

Ms Topiol provided a brief overview of the new EU regulation on the European Business Statistics (EBS) valid as of 1 January 2021. The EBS is a new regulation covering most fields of the business statistics with the aim to make them more relevant, consistent, and comparable. Ms Topiol noted that even though Israel is not an EU country, and as such it is not bound by this regulation, it nevertheless pays careful attention to the EU statistical guidelines and methodologies to adopt the best practices and produce more comparable data.

Ms Topiol highlighted that Israel is often called a “start-up nation”, as it pays a lot of attention to technological development, innovation, and R&D. Ms Topiol explained that with the analysis of SMEs in the business register, ICBS tries not only not to distinguish companies based on their size class, but also to consider other characteristics linked to the activity, the business model, and the technology used by enterprises. This would allow identifying more specific types of SMEs, and thus better target public policy to enterprises with a great potential for development, for instance to entities engaging in economic activities related to online marketplaces, fintech, or factoryless good producers.

The underlying logic that underpins this effort is that while, one the one hand there is a need for stability in the methods and definitions used in compiling business statistics, on the other hand statistical tools and techniques need to evolve to detect and reflect the structural changes in the economy.

To build on this, Ms Topiol presented 4 types of specific SMEs:

- **Start-up** – usually an SME which is a result of entrepreneurship based on research and development. Startups are not yet mature businesses with a good or service ready to be marketed and do not carry out profit. The start-up activities are usually funded through capital raising.

- **International R&D center** – an Israeli affiliate of a foreign multinational enterprise dedicated mainly to R&D activities.

- **Factoryless Good Producers (FGPs)** – a goods producer business which carries out R&D, marketing and sales of its goods and outsources completely the manufacturing process of the goods.

- **Providers of service through digital platforms** – all businesses that provide services directly or indirectly (through intermediaries) through a digital platform.

In conclusion, Ms Topiol stressed the importance of tackling SMEs statistics to support the policymakers in developing evidence-based innovative economic policies. She emphasised that it is crucial for all the countries to boost both employment and innovation in order to “build back better” from the COVID-19 crisis.
Concluding remarks and next steps

H.E. Mr Haim Assaraf, Ambassador and Permanent Representative of Israel to the OECD, gave a very positive assessment of the webinar, and thanked the OECD, and colleagues from Poland, Israel, and Ukraine for the good co-operation to implement the project Improving Statistics Development in Ukraine.

Mr Dominik Rozkrut, President of Statistics Poland, noted that the co-operation within this project is extremely important for Statistics Poland. He stressed that collaboration with the OECD allowed Poland to extend its engagement in multiple development projects. Mr Rozkrut expressed particular appreciation for the opportunity to co-operate with the colleagues from the ICBS. He also emphasised that statistics development is crucial to ensuring the right to the truth, considered as a basic human right.

Ms Gabriela Miranda, Senior Policy Analyst and Head of Ukraine Unit, OECD, concluded the webinar by thanking Israel and Poland for their financial and intellectual support to the project, and all the participants for their attendance and contributions to the discussion.
# ANNEX A: AGENDA

Please note that the timing below is based on Kyiv, Ukraine time zone (GMT+2)

<table>
<thead>
<tr>
<th>Time</th>
<th>Session</th>
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<tr>
<td>10.50 - 11.00</td>
<td>Online access to the virtual workshop</td>
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<td>Introduction and moderation by Mr <strong>Bill Tompson</strong>, Head, Eurasia Division, OECD</td>
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<td>11.00 - 11.15</td>
<td>Opening Statements</td>
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<td>- H.E. Mr <strong>Bartosz Cichocki</strong>, Ambassador Extraordinary and Plenipotentiary of Poland to Ukraine</td>
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<td>- H.E. Mr <strong>Joel Leon</strong>, Ambassador Extraordinary and Plenipotentiary of Israel to Ukraine</td>
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<td>- Mr <strong>Vadym Pishcheiko</strong>, Advisor to the Chair, State Statistics Service of Ukraine</td>
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<tr>
<td>11.15 – 12.00</td>
<td>Session 1 – Introduction, challenges and approaches to develop regional and sub-national SME statistics</td>
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<td>The OECD will open the webinar stressing the importance of good quality, internationally comparable statistical data to analyse entrepreneurship and business dynamics, and why sub-national indicators are important to inform economic policies. The session will shed light on the existing challenges in producing timely and comparable statistics on firm dynamics at the subnational level. In the second part of the session, the OECD will present the measurement framework used to monitor SME and entrepreneurship performance, as well as the business environment in which firms operate. The session will highlight the various areas to cover and challenges to face to inform SME and entrepreneurship policy makers.</td>
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<td>- Mr <strong>Paolo Veneri</strong>, Head of the Statistics and Territorial Analysis Unit, Centre for Entrepreneurship, SMEs, Regions and Cities, OECD</td>
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<td>- Ms <strong>Sandrine Kergroach</strong>, Head of the SME and Entrepreneurship Performance, Policies and Mainstreaming Unit, Centre for Entrepreneurship, SMEs, Regions and Cities, OECD</td>
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<td>Q&amp;A session with webinar participants</td>
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<td>12.00 – 13.00</td>
<td>Session 2 – Methodologies for compiling, analysing and disseminating SME statistics in Ukraine</td>
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<td>Experts from Statistics Poland will present methodologies and best practices for developing statistics about the SME sector. This session will shed light on the statistical definitions, data sources for national and European data requirements and indicators used in the production of SME statistics. In addition, experts will present good practices in the dissemination of statistical information about the SME sector.</td>
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<td>- Ms <strong>Katarzyna Walkowska</strong>, Head of Enterprises Department, Statistics Poland</td>
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<td></td>
<td>Practical examples presented by Poland and Q&amp;A session with webinar participants</td>
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13.00 – 14.00  Experts from the Israel Central Bureau of Statistics will make a presentation on the work that the ICBS undertakes to tackle SME statistics. The presentation will have a focus on specific types of SMEs. This session will shed light upon the statistical definitions, data sources, data requirements and indicators used in the production of SME statistics.

- Ms Agnes Topiol, Israel Central Bureau of Statistics, Business Register Division

Practical examples presented by Israel and Q&A session with webinar participants

Closing remarks and next steps

14.00 - 14.15  - H.E. Mr Haim Assaraf, Ambassador and Permanent Representative to the OECD, Israel
- Mr Dominik Rozkrut, President, Statistics Poland
- Ms Gabriela Miranda, Senior Policy Analyst and Head of Ukraine Unit, OECD
ANNEX B: QUESTION RAISED DURING THE WEBINAR

Question:
During the webinar, representatives from the State Statistics Service of Ukraine have asked the representative from Statistics Poland to provide further explanations on the changes to the definitions of the variables introduced as part of the new EU regulation on the European Business Statistics (EBS).

Answer:
In accordance with EBS, in most cases, the changes of the names of variables and the rewording of definitions does not change the economic meaning of the Structural Business Statistics (SBS) variables. The changes were introduced to create a better link between variables and accounting principles, to ease data identification in financial statements, and to create cooperation with accountants. Shorter definitions are also useful to increase understanding and accuracy, and enable better distinction between variables.

This logic applies to the following EBS variables:

- **240202 Change in stock of finished goods and work in progress** (corresponded to 13 21 3 Change in stocks of finished products and work in progress manufactured by the unit in the SBS Regulation)
- **220301 Employee benefits expense** (corresponded to 13 31 0 Personnel costs in SBS Regulation it was)
- **240103 Expenses of services provided through agency workers** (corresponded to 13 13 1 Payments for agency workers in the SBS Regulation)
- **240104 Expenses of long term rental and operating leases** (corresponded to 13 41 1 Payments for long-term rental and operational leasing of goods in the SBS Regulation)
- **260101 Gross investment in tangible non-current assets** (corresponded to 15 11 0 Gross investment in tangible goods in the SBS regulation)
- **260104 Gross investment in construction and improvement of buildings** (corresponded to 15 14 0 Gross investment in construction and alteration of buildings in the SBS Regulation)
- **260103 Gross investment in the acquisition of existing buildings** (corresponded to 15 13 0 Gross investment in existing buildings and structures in the SBS Regulation)
- **260106 Gross investment in intangible non-current assets, other than goodwill** (corresponded to 15420 Gross investment in concessions, patents, licences, trademarks and similar rights in the SBS Regulation)
- **240201 Change in stocks of goods** (corresponded to 13210 Change in stocks of goods and services in the SBS Regulation)

The following variables have changed more significantly:

- **140301, 250101 Net turnover** (in SBS Regulation it was 12 11 0 Turnover) - net turnover equals turnover as defined Regulation (EC) No 295/2008 on SBS minus excise duties and other taxes on products linked to turnover but not deductible.
- **250301 Value of output** (in SBS Regulation it was 12 12 0 Production value) - value of output equals production value as defined for Regulation (EC) No 295/2008 plus income from product or turnover related subsidies minus other operating income (except income from product- or turnover-related subsidies) and minus excise duties and other taxes on products linked to turnover but not deductible.
- **250401 Value added** (in SBS Regulation it was 12 15 0 Value-added at factor cost) - value added equals gross value added as defined for Regulation (EC) No 295/2008 minus other operating income adjusted with income from product- or turnover-related subsidies and, if necessary, with capitalised output plus other operating expenses than amortization expense.
ANNEX C: LIST OF PARTICIPANTS

### Ukraine

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<tr>
<th>Last Name</th>
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<td>Bozhko</td>
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### Israel

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### OECD

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<td>Chan</td>
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ANNEX D: PRESENTATIONS
Firm dynamics are a regional phenomenon
Large variation in firm birth rates between and within countries
Context and motivation

Spatial heterogeneity in the distribution of business activity

Lack of a cross-country comparable data source at the subnational level

This project concerns the development and analysis of a regional business demography database for OECD countries

This talk

1. Methodological aspects
2. Main results from the database
3. The way forward
Existing cross-country data sources

A cross-country BD database already exists at the national level


Regional data: Eurostat regional database (20 countries)

Methodological challenges

We combine data from Eurostat with data from other OECD National Statistical Offices

Issues with harmonisation:

• Differences in definitions from OECD/Eurostat Manual
• Enterprises VS establishments (headquarter bias)
Enterprises and establishments

Different sets of indicators:

1. Indicators based on the location of firms (enterprises) — More useful to examine firm dynamics
2. Indicators based on the location of plants (establishments) — More useful to examine employment in business

Enterprise database: data description

Enterprise database collects the following indicators:

1. Active firm population
2. Birth/death/survival rates in firms
3. Some employment indicators

Geographic dimension: TL2 or TL3

Time dimension: 2007 to 2018 (on average)

Breakdowns by sector of economic activity and by size class
Analyzing business demography statistics

• What type of regions experience more firm entries/exits?

• What type of firms (according to sector or size class) establish in which regions?

New businesses constitute, on average, 11% of all firms but regional variation is substantial
  – Concentrated in urban and most productive regions (frontier)
  – Associated with better local governance, more developed R&D infrastructure, lower financing constraints, and more educated local labour force

New businesses contribute significantly to regional employment growth
  – Business births create 3.2% new employment on average, but this share can be much higher in some (small) regions
  – Higher regional firm dynamics also indirectly boost employment growth in existing firms

Exact information on location of employment is important for understanding the impact of business dynamics on employment
  – Using enterprise-level data can be susceptible to a bias from a region’s actual share of national employment
  – **Headquarter bias**: pronounced in capital-city regions
**Employer vs. non-employer firms**

Large country differences in importance of non-employer firms

- Likely a result of different tax systems and legal codes
- Correlation of regional birth rates in employer and non-employer firms not always strong
- Issue of international comparability of non-employer firms
- Most consistent approach: compare employer firms only

---

**The rates of firm creation and closure tend to show large regional disparities**

- Newly created employer firms make up 11% of all existing employer firms in 2018
- Within-country differences are substantial, up to 10 pp
  - Most dynamic region often records creation and closure rates that are twice as high as in the bottom region
  - Capital regions had 65% higher firm creation than other regions on average
  - Predominantly urban regions have higher rates of firm creation
Highly urbanized places are more dynamic (higher churn)

- In 16 out of 18 countries, firm creation rates were higher in metropolitan regions compared to other places.
- Net firm creation rates was also higher in Metropolitan regions (2% of firm population) compared to 1.9% in Regions near a metropolitan area and 1.1% in Regions far from a metropolitan area.

Capital regions are particularly dynamic

- In 2015, capital regions accounted for 20% of the national population but hosted 27.5% of all firms in their respective countries.
- On average, capital regions recorded 4.5 newly founded firms per 1000 inhabitants compared to 2.8 new firms per 1000 inhabitants in non-capital regions.
Breakdown by sector
Urban-rural difference reflects sectoral composition of regional economies

- Higher firm creation rates in services, whose share is higher in urban regions
- More than 60% of new firms in financial, information and communication sector
- Around 40% of new firms in intermediate regions are created in the industrial sector
- In rural regions hospitality accounts for a relatively large share (20%)

Sectors, Size and Survival of new firms
Survival odds lower for employer firms across regions

- The share of new large employers is larger in urban frontier regions
  - Relative to their share among active firms, urban frontier regions report disproportionately large enterprise births of firms with more than 10 employees

- In 8 countries analysed, 49% of employer firms are still active after the first three years
Employment creation by new firms, TL3
Significant within-country differences in created employment

Employment creation rates by new employer enterprises (2018)

- Jobs created by new firms accounted for 3.2% of employment in 2018.
- Job creation from new firms differs on average 4 pp across regions in a country, but some small regions can be outliers.

The headquarter bias: differences in national employment shares
Illustration with capital-city regions

- Enterprise-level data causes a 7 percentage point upward bias in employment statistics of capital regions (~1.4 p.p. on average)

\[ HQ_{Bias_{ic}} = \frac{Employment \ in \ Enterprises_{ic}}{Employment \ in \ Establishments_{ic}} \]
Which regions are more dynamic in terms of business creation/destruction?

• **Regional drivers of firms’ dynamics:**
  What institutional/social factors are driving business creation/death/survival?

  • Regional business structure: dominance of a few large firms
  • Institutions (corruption, business regulation)
  • EU Cohesion funds?
  • Credit constraints / funds
  • Human capital and R&D (innovation)

---

Dominance of large firms and birth rates - TL3
Different development models in urban and rural regions

- Entrepreneurship in urban and rural regions is differently linked to the local business environment and cluster formation
- In urban areas, clusters dominated by a few *champions* thrive the most
Local governance and firm birth rates
Gallup World Poll Indicators (average 2008-2015)

- Average birth rates between 2008 and 2015. 165 TL2 Regions of 15 countries.
- Quality of local governance is positively correlated with firm creations

Conclusions

- The enterprise approach allows better comparability across countries. It enhances analysis of entrepreneurship, but employment trends suffer from headquarter bias
- Important to distinguish employer from non-employer firms
- At the regional level, hard to have a detailed breakdown by size or sector
- Large heterogeneity in business demography across regions
  - Discrepancies between urban and rural regions
  - Differences along the lines of regional productivity
- (At least partially) explicable by regional characteristics:
  - Local governance, credit constraints, education and innovation, concentration of firms
- Monitoring regional employment creation by new firms requires precise geographic information
  - Best available data show that the contribution of new enterprises is large and very heterogeneous across regions
  - Headquarter bias can lead to deviations from actual employment creation
Thank you

Website:
http://www.oecd.org/publications/the-
geography-of-firm-dynamics-
9789264286764-en.htm

Video: https://youtu.be/8fetHnC2WrU

Contacts:
paolo.veneri@oecd.org
MEASURING & BENCHMARKING
SMES AND ENTREPRENEURSHIP PERFORMANCE
- BUSINESS CONDITIONS AND POLICIES -

Improving Statistics Development in Ukraine
First webinar, 27 April 2021 (virtual)

Sandrine KERGROACH
Head of SME&E Performance, Policies and Mainstreaming unit
Centre for Entrepreneurship, SMEs, Regions and Cities

SME & Entrepreneurship performance

- Job creation
- Productivity
- Scale up capacity
- Wages
- Environmental, Social, Goals
- Corporate purpose
Prior to COVID-19, enterprise creations are back to pre-crisis levels (and above)

Number of start-ups doubled in the UK, and more than doubled in France between 2000 and 2017.


... driving job creation

Starts-ups and SMEs have driven job creation since 2010 in many OECD countries, especially in market services.

But new jobs / new firms are created in low productivity sectors

- **Lower SME productivity results in lower wages**
  - SMEs typically pay wages 20% lower than large firms.
- Since 2010, close to 90% of new jobs created in France were in low-wage sectors, 75% in the US, 66% in Germany and the UK.

- **The productivity gap** between small firms and large firms has enlarged.

- **Start-ups are born smaller** with less scope for scaling up capacity, innovating, increasing performance etc.

![Percentage of jobs created by firm births in above- and below-median productivity sectors, 2016](https://doi.org/10.1787/34907e9c-en)


There are SME champions, taking the lead at the knowledge frontier and in niche markets

- **Specialised high-skilled SMEs outperform large firms in KIBS** (i.e. legal, accounting, engineering, computer, consulting, R&D, advertising (etc.).
  - In Sweden and the UK, micro firms in these sectors are as (or almost as) productive as large firms.
Firms are mainly SMEs (in some places the only one economic actor ?)

6+1 pillars of SME&E performance

- Institutional and regulatory framework
- Market conditions
- Infrastructure
- Access to finance
- Access to skills
- Access to innovation assets
- SMEs and Entrepreneurship policy governance

Detailed conceptual framework

SME&E performance

- Regulation
- Institutional and regulatory framework
- Court and laws
- Land and housing
- Public governance
- Taxation
- Competition

Detailed conceptual framework

SME&E performance

- Domestic market
- Trade and investment
- Market conditions
- Global markets
- Public procurement
Detailed conceptual framework

SME&E performance
Detailed conceptual framework

SME&E performance

- Adult literacy
- Education
- Training
- Access to skills
- Labour market
- Entrepreneurial culture

Detailed conceptual framework

SME&E performance

- Technology
- Data
- Marketing
- Access to innovation assets
- Networks
- R&D
- Organization & processes
A complex policy space

- **Heterogeneity** of SMEs, trajectories, sectors/ geographical areas
- **Cross-cutting issues** (policy domains, ministries/departments, agencies etc.)
- **Multilevel governance** as to account for the influence of local ecosystems on SMEs and entrepreneurship and subnational policies.

- **Requires a whole-of-government perspective**
- **Building capacity and broadening our knowledge and evidence base**

---

Financing SMEs and entrepreneurs: An OECD Scoreboard

An **international reference** for monitoring trends in SME&E finance and government policies.

- Since 2012, country coverage has expanded from 18 to 48 countries, including Ukraine.

**Towards more disaggregated data**

Aim to address the heterogeneity of the SME population and the differential impact on accessing finance.

After a scoping survey on the availability of disaggregated data, the CSMEE agreed to focus the pilot of data collection on the following dimensions:

- Sector (NACE Rev 2. classification)
- Firm size (micro (1-9), small (10 to 49), medium (50 to 249))
- Gender of the principal owner
- Geographical location (NUTS 2 level)

The pilot phase of disaggregated data collection will start in Spring 2021.
SME and Entrepreneurship Outlook - A cornerstone for policy analysis

OECD flagship biennial review...

... with an analytical framework ...

... a research infrastructure
OECD ‘Data lake’ on SME&E [CFE/SME(2018)2/ANN]
- Indicators on SME&E performance
- Indicators on SME&E business conditions
- SME&E policy repository
- Analytical tools

Enhanced data capacity – NSOs + access microdata + business surveys

... and a policy community
- Committee on SME&E
- Informal Steering Group SMEEO
- OECD committees (cooperation and mainstreaming)

⇒ Better data and stronger evidence and more granularity.

Thank you!

https://www.oecd.org/cfe/smes/

Contact: Sandrine Kergroach
sandrine.kergroach@oecd.org
Legal basis for official statistics in Poland

**Law on Official Statistics of 29 June 1995 (with later amendments)**

The *statistical survey programme of public statistics* (PBSSP):
- annual – covers all surveys for the reference year,
- established by SP in cooperation with ministries, National Bank of Poland and other institutions supervising and associating economic entities.

In PBSSP there are specified:
- subject,
- the leading authority or entity,
- periodicity,
- objective,
- detailed scope and subject matter,
- data sources,
- entities transferring data,
- types of result statistical information and forms and dates of their disclosure.

→ it imposes **reporting obligation** on respondents
The organisation of the surveys

The populations and samples of surveys are prepared on the basis of the statistical business register – Statistical Business Register (BJS).

It covers all entities conducting activity, not only business activity (including e.g. financial entities, schools, non-profit organisations, administration) and their local units.

All units in the BJS receive REGON number of the National Official Business Register (9 digits) and are matched in the register with survey and administrative information by REGON number and/or by Tax Identification Number (NIP).

BJS is updated on the basis of statistical surveys and administrative data according to the established timetable.

The respondents are legal units.

Data are collected via Reporting Portal in an electronic form, but if the unit has less than 5 persons employed, than it is allowed to provide data on paper form.

At the Reporting Portal the first validations are done, in cooperation with the reporting unit (if necessary).

Main surveys concerning non-financial enterprises – general overview

Main surveys on non-financial enterprises, including SME

- Monthly report on economic activity
- Quarterly survey of revenues, costs and financial results as well as of outlays on fixed assets
- Annual survey of economic activity of enterprises

SBS, IFATS

- Annual survey of entrepreneurship
- Annual survey of newly established enterprises
- Annual survey of entities with foreign capital
  - IFATS
- Annual survey of activity of enterprises with shares in entities located abroad
  - OFATS
- Annual survey of enterprise groups

STS

- Survey of entrepreneurship
- Annual survey of newly established enterprises
- Annual survey of entities with foreign capital
  - IFATS
- Annual survey of activity of enterprises with shares in entities located abroad
  - OFATS
- Annual survey of enterprise groups

SME without microenterprises

annual census survey (10 and more persons employed)
sample survey of microenterprises

SBS, IFATS

annual census survey (10 and more persons employed)
sample survey of microenterprises
SME in Poland

Criteria for determining the size of enterprises

Commission Recommendation of 6 May 2003 concerning the definition of micro, small and medium-sized enterprises

<table>
<thead>
<tr>
<th>Entrepreneur’s law of 6 March 2018</th>
<th>Micro</th>
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<th>Medium</th>
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<td>Average annual employment and</td>
<td>&lt;10</td>
<td>&lt;50</td>
<td>&lt;250</td>
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<td>Annual net turnover from sales and financial operation or</td>
<td>up to 2 mln EUR</td>
<td>up to 10 mln EUR</td>
<td>up to 50 mln EUR</td>
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<td>Total assets</td>
<td>up to 2 mln EUR</td>
<td>up to 10 mln EUR</td>
<td>up to 43 mln EUR</td>
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<tr>
<td>Small</td>
<td>10 to 49</td>
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<td>Medium</td>
<td>50 to 249</td>
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<td>Large</td>
<td>250 and more</td>
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Size classes – number of persons employed and turnover

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<th>Number of entities</th>
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<td></td>
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<td>up to 9 persons employed</td>
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<td>10-49 persons employed</td>
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<td>50-249 persons employed</td>
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<td>250 and more persons employed</td>
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<tr>
<td>%</td>
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<td>up to 2 mln EUR</td>
<td>99.5</td>
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<td>2-10 mln EUR</td>
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<td>10-50 mln EUR</td>
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<td>above 50 mln EUR</td>
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The population of non-financial enterprises is divided according to the number of persons employed:

• up to 9 persons employed (microenterprises) – sample survey
  + a set of information collected is limited to the necessary minimum
  → due to the large size of the population (approx. 2.5 million of units) and in order to reduce the burden on respondents and survey costs

• 10 and more persons employed – census survey
Annual sample survey of microenterprises

Sample survey (4%-6%) of population of 110 000 units with up to 9 persons employed

A stratified sampling scheme is used in which the basic division into layers is determined according to the predominant kind of activity, regions (NUTS2), legal form, size class, year of creation.

The survey of microenterprises in its basic part comprises information related to:

- **basic information** on the enterprise (contact data, status of legal and economic activity, number of months of conducting activity, the predominant kind of business activity, kind of accounting records kept, etc.),
- **persons employed and wages and salaries**,  
- **fixed assets and intangible fixed assets**,  
- **size and results of the activity** (revenue, costs, stock, taxes) – scope of information depending on the kind of accounting records kept.

Moreover, **specialist information** is filled in by entities which, in a given year, conducted the following kinds of activity: trade (retail and wholesale), food service activities, transport, health-related services.

Microenterprises are particularly sensitive to any administrative burden; they usually keep simplified accounts and they are not able to provide very detailed information characterizing their activity.

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Annual census survey of enterprises

The level of detailed information provided depends on the state of the entity's activity, the kind of accounting records kept, fixed the financial year and the number of persons employed.

Data collected from all reporting entities with 10 and more persons employed cover:

- **basic data about the enterprise** (main variables)
  - the state of legal and economic activity,  
  - the way the company was founded and structural changes taking place in the enterprise,  
  - start and end dates of the financial year,  
  - kind of accounting records kept,  
  - the predominant and secondary kinds of activities carried out throughout the year by the enterprise (and obtained from them net revenues from sale of products, goods and materials),  
  - number of persons employed and average employment,  
  - gross wages and salaries  

- **full balance sheet**  

- **full profit and loss account** (comparative version, i.e. based on a generic cost structure)  

- **fixed assets and outlays**
Local unit is a separate part of an enterprise (e.g. plant, branch, agency, warehouse, store, depot, design and technology office, experimental laboratory, delivery office) identified by a separate address in which the enterprise runs its business and in which one or more persons work (even part-time) for the enterprise.

Due to the fact that enterprises may conduct activity outside the place in which they are established, it allows to present the actual deployment of their economic activity in a regional configuration.

Entities **up to 9 persons employed** (microenterprises)
assumption → legal unit = local unit

Entities with **more than 9 but less than 20 persons employed**
assumption → legal unit = local unit

Entities **with 20 and more persons employed**
detailed information on the places of economic activity in Poland and abroad are collected

**Annual surveys of enterprises – local units**

Only for entities with **20 and more persons employed** information on local units is collected in the census survey and it covers:

- address data,
- type of unit (productive / ancillary),
- operational readiness,
- predominant kind of activity,
- number of persons employed and average paid employment,
- gross wages and salaries,
- value of manufactured products (or net revenues from sale of goods and materials),
- value of fixed assets and of investment outlays,
- information on stores (for units having constituting independent local units).

The entities with **100 and more persons employed** provide also information on:

- investment tasks (places with a specific address in which investment activities are conducted for future local units and where the unit does not yet employ employees nor conducts economic activity),
- productive local units located in Poland or stores (kind of activity, value of manufactures products, costs).
Organisation of the surveys

Jan.-Feb.
- Development of electronic questionnaires
- Selection of units for the surveys (target populations)
- Creation of the sample for the survey of microenterprises

Mar.-May
- Dissemination of the electronic form to respondents via Reporting Portal for collection of data
  - Sample survey – from 1st March until end of May of the year t+1
  - Census survey – from mid of March until beginning of May year t+1

Mar.-Aug.
- Sending reminders to respondents about reporting obligation
- Analysis of the collected data in term of their quality
- Contact with respondents to explain incorrect or atypical data and making corrections

Aug.-Sept.
- Grossing up of the data from the sample survey
- Approving of the surveys’ data – mid of September year t+1

Sept.-Oct.
- Development of the dataset for the total population of non-financial enterprises
- Calculation of the aggregated data
- News Release covering basic information – end of October year t+1

Dec.
- Publication with complete information on non-financial enterprises – end of December year t+1

Presentation of basic variables on enterprises including SME – breakdowns

In general basic data are published according to:

- **Size classes**
  - micro (up to 9 persons employed),
  - small (10-49 persons employed),
  - midium (50-249 persons employed),
  - large (250 and more persons employed).

- **Legal forms** (natural or legal persons)

- **Kind of accounting records kept**

- **Kind of activity (NACE rev.2)**
  - data presented mostly on the sections level,
  - selected divisions of NACE rev. 2 (usually for Manufacturing section),
  - due to sample survey, data on lower than NACE Rev.2 section level are not calculated for microenterprises.

- **Territorial division**
  - data are usually presented in accordance with the Polish administrative division at the voivodship level (16 voivodships),
  - If required, data could be calculated for NUTS3 and lower level but only for enterprises with 10 and more persons employed.
Presentation of basic variables on enterprises including SME

Basic information on the structure and economic results are presented in the annual study „Activity of non-financial enterprises” containing all entities regardless of the size class (including SME) and type of the accounting records kept.

News release – October of the year t+1
Annual publication – end of December of the year t+1

For enterprises and local units:
• number of enterprises and local units
• number of persons employed (as of 31 Dec.)
• average paid employment
• monthly gross wages and salaries per 1 paid employee
• outlays on tangible fixed assets
• investment outlays
• total revenues

Variables presented for enterprises only:
• fixed assets
• total costs
• gross profit (entities with positive financial result)
• value of production and value added

Presentation of basic variables on enterprises including SME

More information on financial results of enterprises is presented in annual study „Financial results of economic entities (balance sheet)”. It concern only units with 10 and more persons employed, keeping books of account or tax book of revenues and expenses, which allows present more detailed data than on the smallest entities conducting simplified accounting.

News release – October of the year t+1
Annual publication – end of December of the year t+1

Basic variables:
• amount of fixed and current assets,
• sources of financing (total equity and liabilities),
• revenues,
• costs,
• financial results,
• net and gross turnover profitability indicator.
Specialised publications covering SME data

December of the year t+1
- “Activity of enterprises with up to 9 persons employed”
- “Non-financial enterprises established in …”
- “Economic activity of entities with foreign capital”

January of the year t+2
- “Enterprise groups in Poland”

April of the year t+2
- “Activity of enterprises having foreign entities”

June of the year t+2
- “Selected entrepreneurship indicators in …”
+ „Atlas of enterprises”

Databases

Local Data Bank
https://bdl.stat.gov.pl/BDL/start

Macroeconomic Data Bank
https://bdm.stat.gov.pl/

Knowledge Databases
Non-financial Enterprises
http://swaid.stat.gov.pl/
Entities obliged to provide data are **legal entities belonging to enterprise groups** regardless of the number of persons employed. Statistical observation covers both enterprise groups and legal entities included in them.

The **content of the survey** is adapted to the information that may be provided by parent entities and subsidiaries and covers i.e.:
- the position of a given legal entity in the control chain in the group,
- data regarding the parent units, the ultimate parent units, subsidiaries,
- number of persons employed in the group and predominant kind of group’s activity,
- share capital, equity and selected data from consolidated financial statements.

Data on **entities** belonging to enterprise groups are presented according to size classes: up to 9 persons employed, 10-49, 50-249, 250 and more.

Data on **enterprise groups** are presented according to the size of the group by the number of persons employed in a distinguished group: up to 49 persons employed, 50-249, 250-499, 500-999, 1000 and more.

The survey is the basic source of information about organising national entities in groups and is used in profiling to delineate statistical unit „enterprise” for SBS.

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**SBS – implementation of statistical unit enterprise**

Council Regulation (EEC) No 696/93 of 15 March 1993 on the statistical units for the observation and analysis of the production system in the Community (with later amendments)

Since the reference year 2018 SBS data for Poland are elaborated on the basis of the **statistical unit enterprise** = one or more legal units.

Enterprises and legal units belonging to them are introduced to the statistical business register on the basis of profiling that is done annually according to the Eurostat guidelines.

SBS data are **consolidated** at the level of the profiled enterprise i.e. transactions between legal units belonging to one enterprise are eliminated.

SBS variables are divided into two categories:

- **additive variables** – the data on legal units inside one enterprise might be simply summed up e.g. number of employees in full-time equivalent units, wages and salaries, value added,

- **non-additive variables** – the data on legal units inside one enterprise has to be consolidated and transactions between these legal units must be eliminated e.g. turnover, value of output, total purchases of goods and services.

In the first step the SBS variables or their elements at the level of the legal unit are calculated and then the summing up of additive variables or consolidation of non-additive ones is done.
Elaboration of SBS according to the EU requirements – organisational chart

SBS – main sources of information

- annual sample survey of microenterprises,
- annual census survey of enterprises,
- quarterly survey of revenues, costs and financial results as well as of outlays on fixed assets,
- annual survey on employment, wages and salaries and work time,
- monthly report on economic activity,
- annual survey of activity of enterprises with shares in entities located abroad,
- annual survey of enterprise groups,
- administrative sources: Value Added Tax (VAT), Corporate Income Tax (CIT), Personal Income Tax (PIT), data of Social Insurance Institution (ZUS), financial reports, consolidated financial reports.

Basic sources are annual and short-term statistical surveys.
SBS – administrative data

Administrative data are used i.a. to:
• determine the activity of units in the reference year i.e. to establish the scope of SBS (VAT, ZUS),
• imputation and calibration of microenterprises sampling survey results (VAT, PIT, ZUS),
• identification of internal transactions (flows) in the profiled enterprise (financial reports).

Calibration of the microenterprises survey results is done to exclude legal units that are microenterprise and belong to the profiled enterprises from grossing up in sampling survey of microenterprises (to avoid double counting).

SBS – population of active enterprises

Settlement of the population of active enterprises – the basis is the set of active enterprises in the reference year from the business register and annual surveys.
To identify units that were active only part of the year there are used:
• tax data (if the legal unit had any turnover),
• social insurance data (if the legal unit had employees).

Information on active legal units is then used to check the activity of profiled enterprises within the reference year.

With the introduction of EBS the consistency of data on number of enterprises in SBS and BD is more required. In Poland two different sources of information: sampling survey of microenterprises for SBS and administrative data for BD (available at the lager stage of production) were causing discrepancies especially in case of microenterprises. The works on settlement of the common population of active enterprises described above enabled improvement in this area.
SBS – consolidation of data

Identification of flows inside the profiled enterprise – there are used several methods (depending on i.a. method of profiling of the enterprise – manual/automatic)

- in case of big and complex enterprise groups that are profiled manually the internal flows are searched in the financial reports available in the National Court Register (KRS) – in some reports information on internal transactions with the related units affiliated entities podmioty powiązane is provided – there are listed the name of the legal unit and value of transaction,
- the turnover of unit that in profiling is regarded as an ancillary one (their products and services are not sold outside the profiled enterprise) is not added to the turnover of the enterprise (i.a. IT or transport activity),
- analysis of the vertical integration – if the output of the legal unit of the enterprise is used as a pre-product in another legal unit of the same enterprise, for the calculation of the consolidated turnover only margin of one legal unit may be used (the one that sells the product to the market).

Calculation of non-additive variables – for each enterprise there is calculated „indicator of turnover consolidation” as:

- consolidated turnover of the enterprise / sum of turnover of all legal units belonging to the enterprise,
- (consolidated turnover of the enterprise is calculated during the profiling and its value is available in the statistical business register).

SBS variables are based on the elements of balance sheet or profit and loss account. Its elements are analysed and corrected with the above „indicator of turnover consolidation” – it may concern only some elements of the variable.

Influence of consolidation on some variables

<table>
<thead>
<tr>
<th>Size class by number of persons employed</th>
<th>Turnover</th>
<th>Production value</th>
<th>Total purchase of goods and services</th>
<th>Purchases of goods and services for resale in the same condition as received</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>2.88</td>
<td>2.42</td>
<td>2.51</td>
<td>2.93</td>
</tr>
<tr>
<td>0-9</td>
<td>0.00</td>
<td>0.01</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>10-19</td>
<td>0.00</td>
<td>0.01</td>
<td>0.01</td>
<td>0.00</td>
</tr>
<tr>
<td>20-49</td>
<td>0.03</td>
<td>0.03</td>
<td>0.02</td>
<td>0.00</td>
</tr>
<tr>
<td>50-249</td>
<td>0.15</td>
<td>0.17</td>
<td>0.15</td>
<td>0.03</td>
</tr>
<tr>
<td>250+</td>
<td>6.28</td>
<td>4.85</td>
<td>5.51</td>
<td>7.53</td>
</tr>
</tbody>
</table>
Provisional data on SMEs

Three variables within 10 months of the reference period:
• number of active enterprises,
• turnover,
• number of employees and self-employed persons.

Challenges:
• at t+10 not all tax data are available for statistics (CIT, PIT) – these data are basis for estimations of micro data (sample survey) and imputations of data on 10-249 persons employed enterprises → differences between provisional and final data might be higher
Extending the NACE Rev. 2 activity breakdown to the additional service sections

Additional NACE Rev. 2 sections:
• P (Education),
• Q (Human health and social work activities),
• R (Arts, entertainment and recreation),
• S96 (Other personal service activities).

The annual statistical surveys that are basis for SBS cover these sections but there are challenges:
• new activities has to be analysed, algorythms of calculation of variables has to be adjusted as well as validations,
• some data must be taken from the survey not used for SBS till now – separate statistical survey on high schools.

Data requirements for the Financial and insurance activities sector

There are two groups of enterprises:
• units classified in section K that fulfill standard bookkeeping requirements – fulfill basic annual statistical reports,
• financial units that are supervised by financial institutions.

These financial units:
• fulfill special national and international bookeeping requirements,
• they are not reporting according to the basic annual statistical reports,
• SBS definitions are slightly adjusted to the reporting of financial units.

The data for section K has to be elaborated on the basis of data coming from different sources (statistical surveys and data from supervisory institutions).
Global value chains (GVC) comprise the full range of cross-border activities required to bring a product or service from conception through the different phases of production and delivery to final consumers. International sourcing (IS) refers to the total or partial movement of business functions by an enterprise to another enterprise located abroad.

Main challenges connected with introducing new survey:
- variables and breakdowns under implementation till mid of 2022,
- statistical unit enterprise,
- including section K to the scope of survey,
- consolidation of qualitative variables,
- business function classification.

Since the reference year 2020, in Poland new survey was introduced to collect basic data on sourcing with the use of business function classification.

After implementing GVC Implementing Act, methodology of the new survey will be adjusted.

Thank you for your attention!
1-1 - Overview of the BR

- The Israeli business register (BR) is the backbone of business statistics.

- Is based on monthly administrative files from Tax authorities (VAT and income tax) and from National Insurance Institute which are matched by the single legal ID, referred to in all administrations aside with other specific IDs. Data coming from other sources such as D&B or surveys feedbacks on main activity complement the BR information.

- Administrative files are matched through the single legal ID (a 9 digit numbers) that is a smart ID. It allows to identify specific types of businesses such as associations (Ids that start by 58), foreign affiliates or branches (start by 56), cooperatives (start by 57) and regular businesses (start by 51 and 52).

- The BR is the main source of information on businesses, business demography statistics and the main source to withdraw sample frames and samples of surveys.

- The BR is based on Legal Units (LeU) which are in more than 95% Enterprises.
1- Content of the BR

1- Qualitative data:

- **Names** Hebrew - English
- **Identifiers** among which the single smart administrative identifier
- **Address/mail/phone/contact name**
- **Main activity description + ISIC code 4 digits**
- **Institutional Sector** (according SNA 2008 rules) calculated through an algorithm
- **Business Characteristics**: specific type of businesses of interest for economical policy are identified and flagged in the BR: start-up, international R&D center, IT platforms, Fintechs...
- **Information relating to survey samples and survey frames (SBS, STS,R&D, ...)**

2- Content of the BR

2- Quantitative data:

- **Monthly**
  - Employee numbers
  - Labor cost
  - Revenue
  - Free VAT revenue (mainly exports of goods and services+merchandising)

- **Yearly**
  - Turnover - for year T-2
  - Exports value of goods according main 4 digits ISIC codes for year T-1 (Customs)
  - For the largest businesses: Total balance sheet
2.1- Main business surveys carried out at ICBS

<table>
<thead>
<tr>
<th>Short term statistics-Monthly surveys</th>
</tr>
</thead>
<tbody>
<tr>
<td>Index of revenue</td>
</tr>
<tr>
<td>Short term statistics in manufacturing industry</td>
</tr>
<tr>
<td>Employees and wages (Israeli and foreign workers)</td>
</tr>
<tr>
<td>Jobs vacancy</td>
</tr>
<tr>
<td>Business tendency survey</td>
</tr>
<tr>
<td>Corona surveys from the beginning of the pandemic (11 waves)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Annually surveys</th>
</tr>
</thead>
<tbody>
<tr>
<td>Structural Business Statistics- mostly collected through administrative data</td>
</tr>
<tr>
<td>Type of goods produced and raw materials- all 5 years/ for SUT tables setting</td>
</tr>
<tr>
<td>R&amp;D</td>
</tr>
<tr>
<td>Exports and Imports of Services</td>
</tr>
<tr>
<td>Information and Communication Technologies- ICT</td>
</tr>
<tr>
<td>Inward /Outward Foreign affiliates Statistics FATS and Foreign Direct Investments</td>
</tr>
<tr>
<td>Survey on waste and emission of pollutants in the manufacturing and electricity industries.</td>
</tr>
</tbody>
</table>

2.2 - Business statistics: an example

*Monthly Job vacancy from beginning 2017*

![Graph showing monthly job vacancy from 2017 to 2021, with a seasonal adjustment.]
2.3 - Business Demography

- **Active businesses**
  614,000 active businesses in 2019

- **Birth and deaths of businesses (employers birth and deaths)**
  51,300 of businesses born in 2019, mostly micro enterprises with less than 10 employees.

- **Survival of businesses**
  Near 90% of new businesses born in 2018 have survived in 2019.
  Near 30% of businesses born in 2005 have survived in 2019.

- **High growth businesses**
  10% of businesses in high tech industries are high growth businesses against only 4% in other industries.

Business demography is a topic very closed and linked to SMEs
=> More technical details will be provided during next webinar.

3 - Why SMEs are of importance? (1/2)

- SMEs represent the large majority of businesses worldwide.
  In 2018, there are approximately **25 million of SMEs** the European Union, with the vast majority employing less than 10 employees.

  97 millions persons employed, i.e about 70% of the total workforce.
3-Why SMEs are of importance? (2/2)

- It is a very heterogeneous population according both size classes and activity.
- This population has the more important potential of growth and contribution to employment and innovation.
- It is also a population of interest for policy makers
  * Reform Tax system to promote entrepreneurship
  * Allocate of subsidies
  * Promote job market flexibility and adequate skills
  * Facilitate access to global markets
  * Ease access to finance

4-The EBS and the definition of SMEs

- From 1/01/2021 EU countries are supposed to implement the new regulation about business statistics EBS-European Business Statistics.

- EBS is a new frame regulation covering most of business statistics fields.

- Provides more clarifications on the units, the methods and on the variables to produces more relevant, consistent and comparable statistics.

- **Definition of SMEs**
  4 criteria: employees number, turnover, balance sheet and autonomy

- **Implementation**
  - Rely on data from BRs and European Group Register (EGR)
  - Possibility for non EU countries to rely on other sources on Enterprise Groups (fiscal sources, surveys, private database, OECD ADIMA...)

Israel is not an EU country so we are not bound by this regulation.
Nevertheless, we pay careful attention to the EU statistical guidelines in order to adopt the best practices and to define future methodological changes accordingly.
5-How we tackle the SMEs population at ICBS?

- Israel is known as the start-up nation with a particular focus on all issues linked to R&D, technology and innovation.

- One of the economy challenges is to well target the SMEs which have a great potential of development and innovation.

- Beyond the definition of size classes, one of the main purposes of the BR is to allow identifying more specific types of SMEs, with a great potential of development. The identification of these units does not rely only on size classes but also on activity carried out.

- Recently, with globalization and development of new technologies, new types of activities and business models have emerged for whom present classification guidelines (ISIC REV 4, 2008) do not allow to treat correctly. For example, ISIC rev 4 does not consider explicitly FGP, marketplaces or Fintechs and does not provide clear guidance to classify and treat these new activities.

 These types of SMEs are of interest for public policy both for encouraging and boosting the high tech sector and for regulation matters.

6-1- Specific types of SMEs: Start-ups

- **Definition**: A start-up is usually an SME which is a result of a technological entrepreneurship based on research and development. Startups are not yet a mature business with a good or service ready to be marketed and does not carry out profit. The start up activities are usually funded through capital raising.

- **Sources**: BR, IVC Research Center and SNC-Start-up Nation Central database and from the list of businesses that have received financial support from the Innovation Authority.

- **Statistics for year 2019**: 
  - There are about 4,700 start up, employing about 33,000 people.
  - 17% of the start up are flagged as High growth businesses
  - 9% of the start up are flagged as Gazelles
  - They contribute to 15% of total R&D expenses of the private sector.
  - 13% of these startups have received financial support of the National authority of innovation
6-2- Specific types of SMEs: international R&D center

**Definition:**
An international R&D center is an Israeli affiliate of a foreign MNE (headquarter located outside abroad) dedicated mainly to R&D activities for the group.

**Sources:** R&D surveys

**Statistics for year 2019:**
- 42% of the R&D expenses of private sector
- The R&D expenses of R&D centers have surged (+200%) between 2005 and 2018
- 53% of R&D centers are dedicated to R&D in IT services, 26% to Electronics components, 7% to Telecommunications equipments and 5% to medical devices.
- Main R&D centers were Israeli SMEs acquired and developed by foreign MNEs. In 2017, IBM (US) acquired data center networking start-up Cloudigo Ltd, SAP (DE) acquired Gigya Ltd, a customer identity management software provider.

6.3- Factoryless Good Producers-FGPs

**Definition:**
A goods producer business which carries out R&D, marketing and sales of its goods and outsources completely the manufacturing process of the goods (UNECE-Guide to measuring Global Production, 2015).

**Method:** identification following the guidance of the Eurostat task force on Factoryless Goods Producers (2017).

Possible change of their classification in updated UNECE guidelines to be released in 2025 (SNA, BoP, ISIC...): all FGPs will be classified in manufacturing industry against only part of them in the present guidelines.

Work in progress

**Statistics for year 2019:**
Presently, we have identified presently about 300 FGPs, 90% of them are SMEs and 35% micro enterprises.

**Examples of FGPs SMEs:**
- Orcam Technologies that develops smart glasses for blind people
- Rewalk that develops a technological skeleton to enable people with disabilities to walk
6.4- Providers of service through digital platforms

Definition:
All businesses which are provided services directly or indirectly (intermediaries) through a digital platform.
Among this populations there are a lot of SMEs since the purpose is to produce services with less labor resources and more technology.
These services providers generally introduce with new technologies disruptive business models that modify industry competition (Amazon, Uber...) and create new issues in terms of regulation.


Examples:
- Goodi (restaurants intermediary digital platform)
  To be classified as a restaurant according ISIC rules interpretation (Murphy, 2017) however it does not carry the activity directly.
- The First Digital Bank (e-Bank) with no physical desk.

Conclusion

Better tackle the SMEs profile and be able to describe them with more details will help policy makers to be able to support them more effectively.

It will become a crucial goal of most countries to boost both employment and innovation and to renew with economic growth in the aftermaths of the slowdown of economies to Corona pandemic.
Thank you for your attention

I will be pleased to answer your questions right now or later on

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