

## *IARIW 2010: Plenary Session 3, The Impact of Globalisation*

*Title: Turnkey Projects Abroad - Challenge to Economic Statistics*

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### **Abstract**

Turnkey projects across the countries are common in the globalised world economy. However, in the new SNA 2008 there is hardly anything on this phenomenon. In this paper we present the phenomenon and tell about the problems we have encountered in economic statistics and national accounts in Finland. Finally we try to find some solutions how to treat this kind of projects in statistics. The work is a part of the large enterprise management work in Statistics Finland. Most of the covered enterprises in this work are MNEs.

The project companies typically deliver production facility with all the machines and equipments to domestic or foreign customer. In some cases turnkey project includes only the delivery of certain engines or machines. Examples of turnkey projects which Finnish companies are delivering abroad include power plants, paper or pulp mills and telecommunication networks. Often it is a demanding task to identify this kind of companies and activities on business data. The following characteristics of turnkey projects might help on this recognition work:

- Majority of these projects are sold abroad
- Every project is unique
- The duration of these projects varies from couple of months to many years
- The project company typically concentrates on planning and project management
- The share of domestic manufacturing is often very low
- The projects are often invoiced according to the stage of the project
- In some cases the foreign affiliate or branch is established
- The majority of project company employees are white-collar workers.

Turnkey projects are often globally organized and include outsourced manufacturing, sub-contracting and merchanting across the national borders. This article concentrates especially on the following difficulties which we have encountered in economic statistics:

- The measurement of the value of domestic production
- The definition of activity code for project companies (industry, construction or service)
- Treatment of turnkey projects in foreign trade statistics (international recommendations vs. practical problems)
- The consistency issues related to economic statistics (short-term business statistics, structural business statistics, foreign trade statistics, balance of payments, national accounts).

In this article the nuclear power plant project in Finland is used as an example of highly global and complex turnkey project for economic statistics.