CARICOM TRADE IN SERVICES STATISTICS PROJECT

COMMON GUIDELINES
for the Development of Statistics on International Trade in Services in the CARICOM Region

Prepared for
The Caribbean Community Secretariat and
The CARANA Corporation (C-TRADECOM)

May 2005

PREFACE

This report presents the *Common Guidelines for the Development of Statistics on International Trade in Services in the CARICOM Region*, a component of the CARICOM Trade in Services Statistics Project, which is part of the ongoing process of strengthening the capacity of national statistical agencies with respect to services statistics.

The Executing Agencies for the Project were the CARIBBEAN COMMUNITY (CARICOM) SECRETARIAT and the CARICOM TRADE AND COMPETITIVENESS DEVELOPMENT PROGRAMME, CARANA Corporation, a USAID-funded Project of Bridgetown, Barbados. The CARICOM Trade in Services Statistics Project originated in the Statistics Programme of the CARICOM Secretariat, of which Dr. Philomen Harrison is the Programme Manager. The project was undertaken by a team of consultants under the general direction of Philomen Harrison and Ayanna Young-Marshall, International Trade Specialist of the C-TRADECOM Programme. Mr. Deoram Persaud, Project Officer and Mr. Christopher Richards Administrative Assistant of the Statistics Sub-programme assisted with the execution of the Project at the Secretariat

The main activities of the Project were:

(i) Preparation of Common Guidelines for the Collection, Compilation and Dissemination of Statistics on International Trade in Services.

(ii) Reviewing and Compilation of Existing Data on Worksheets to compile statistics on Trade in Services and on Investment Flows and development of methods to fill the data Gaps identified.

(iii) Reviewing of Survey Instruments, Questionnaires, Data Collection procedures, Sampling Methodology including Methods of Estimation and Imputation for Non-response and facilitate the implementation of these procedures in Member States.

(iv) Conducting of National/Regional Workshops to Sensitise and Inform Users, Producers and Suppliers of Statistics on International Trade in Services.

Activity (i) was to result in the documentation of the Common Guidelines with adequate details to inform Member States as to how to collect, compile and disseminate these statistics.

The second activity (ii), was to result in the compilation of actual tables on trade in services as detailed as possible on trade in services being compiled for the selected Member States based on information available form the review of the existing data. This activity to extract existing data available in the worksheets were conducted in St. Vincent and the Grenadines, Barbados, Saint Lucia, Belize, Trinidad and Tobago and Jamaica. St. Vincent and the Grenadines was used as a pilot during which time all Consultants on board and engaged in the execution of this activity along with the staff of the Secretariat and the host country were present at the conduct of the data compilation in this Member State. A visit was also made to the Eastern Caribbean Bank (ECCB) in St Kitts and Nevis during the course of the Project execution relative to the Computer Enhanced Balance of Payments Systems (CEBOPS) instituted in the

ECCB countries for the compilation of Balance of Payments Statistics. It was thought that the CEBOPS is a useful source for obtaining the detailed information for the EBOPS in the future.

The third activity (iii) was to result in the production of a questionnaire format to be used in the collection of services statistics both on the production and international trade perspectives. It should also result in documentation of methodologies to be used in estimating and sampling the services sector with particular reference to imputations for non-response and the use of data from other sources.

Relative to Activity (iv), sensitization workshops were to be conducted amongst stakeholders at the regional level and at the national level in two Member States, Belize and St. Vincent and the Grenadines. Reports were to be prepared for each workshop conducted.

Supporting activities to the main activities included:

(a) The development of a Common Classification approach extending the BPM5 to the EBOPS including a process for selective introduction of product level details utilising the UNCPC particularly with regards to production of services.

(b) The preparation of as Systems Analysis/database design with the application of IT in general to be applied in the Construction of Statistical Databases to analyse and disseminate detailed Statistics on International Trade in Services and Investment and to compile a Regional Trade in Services Statistics Database at the Secretariat.

(i) The development of a profile of the financial sector in the region including the Offshore Financial Sector.

The approach to the preparation of the Common Guidelines involved the preparation of a *draft outline* by the National Accounts/BOP Consultant Ms. Noel Boissiere, for the consideration of the Senior and Regional Consultants and the Secretariat/CTRADECOM after which once agreement was reached between the Consultants and the Secretariat/CTRADECOM with regard to the content of the same, the allocation of the Chapters/Sections of this document among the three Consultants was effected. The outline was to be based on considerations specified in the Document on the Guidelines for Implementation of the Project which is included as an Annex to the final report of the Project and excerpts of which are included in this preface. listed above relative to the expectations, objectives and contents of the Common Guidelines. The Preparation of Common Guidelines for the Collection, Compilation and Dissemination of Statistics on International Trade in Service the following were the Objectives:

1. To make operational the application by Member States of regionally agreed to statistical frameworks, systems and processes, to collect, compile and disseminate statistics on international trade in services;

2. To advance the process of drafting guidelines which will facilitate the monitoring of services activities and the development of policies and programmes for effective participation of CARICOM Member States in the regional and international environment of production and trade in Services.

3. To enable the production of statistics to monitor in particular the establishment of the CARICOM Single Market and Economy (CSME) and the international hemispheric arrangements of the Free Trade Areas of the Americas (FTAA) and the global arrangements with respect to services in the World Trade Organization (WTO).

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It is expected that these guidelines can provide Member States with a common approach for data collection on International Trade in Services and Investment Flows and for the compilation of databases with comparable statistics in these areas.

In order to effect the preparation of the common guidelines the following activities were to be undertaken, as specified in the CARICOM Trade in Services, Guidelines for Implementation Documentation:

(a) Review the Final Report of the Situational Assessment conducted under the CIDA-funded project as well as the Reports of the Regional and National Workshops;
(b) Review other International and Regional Documents as required e.g. CARICOM Trade in Services Report; Manual on International Trade in Services.
(c) Review of the Questionnaires used by the statistical agencies to collect information on the production and international trade in services statistics including those currently in use to collect data in the areas of National Accounts and the Balance of Payments.
(d) Review the data collection and compilation procedures used in obtaining services statistics in Member States. This should include a review of the Sources of Data for each Service Industry, the sampling methodology employed, the process of creating and maintaining a register of establishments as a primary source of information; the actual process of collecting data from the sources/suppliers of information; follow-up procedures for non-response from establishment and other sources of information; estimation procedures; database systems for compiling and disseminating information including data storage, processing and retrieval systems.
(e) **Pay particular attention to core services industries such as Tourism, Financial Services (including offshore financial services), Business and Professional Services, Entertainment, Education, Information Communication Technology Health and Other Services** with any refinements of these industries as required, during the course of execution of the activity.

The Senior Consultant for the entire Project was Mr. Julian Arkell, International Consultant who was based outside the Region, while the Regional Counterpart was Ms. Lucilla Lewis, Balance of Payments Expert. Other Consultants who were recruited to work on the Project were Ms Noel Boissiserre, National Accounts/Balance of Payments Expert, who led on the preparation of the Common Guidelines; Hugh Henderson, Classification Expert; Mr. Jose Nunez-Garcia, sampling

expert, Mr Wendell Thomas, Information Technology Expert, Mr. Dave Clement, National Accounts/Balance of Payments Expert and Mr. Berkeley Greenidge, Financial Sector Expert.

At the Inception of the Project there was a **Briefing Meeting** in August 2004 for the Consultants that were on board at that stage, headed by the Programme Manager of the Statistics Sub-Programme of the CARICOM Secretariat and the International Trade Specialist.

Since the completion of the Project CTRADECOM has wound up operations. The Project outputs including the Common Guidelines are currently being reviewed internally by the Secretariat and is being disseminated to Member States with a view of enabling its use in the Compilation of Statistics on the Production and International Trade in Services. Any **feedback** that can lead to any further work that may be required to improve this document can be submitted to the CARICOM Statistics Sub-programme to the attention of the Programme Manager Statistics.

ACKNOWLEDGEMENTS

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LIST OF ACRONYMS

ACS	Association of Caribbean States
BOP	Balance of Payments
BPM5	Classification of International Transactions in Services in 5th edition of BOP Manual
CARICOM	Caribbean Community and Common Market
CDB	Caribbean Development Bank
CEBOPS	Computer Enhanced Balance of Payments System
CCEBOPS	Caribbean Community version of EBOPS
CPC v. 1.0	Central Product Classification Version 1.0
CSME	CARICOM Single Market and Economy
CTO	Caribbean Tourism Organisation
EBOPS	Extended Balance of Payments Services (Classification)
ECCB	Eastern Caribbean Central Bank
FATS	Foreign Affiliates Trade in Services
FDI	Foreign Direct Investment
FISIM	Financial Intermediation Services Indirectly Measured
FTAA	Free Trade Area of the Americas
GATS	General Agreement on Trade in Services
GATT	General Agreement on Tariffs and Trade
GDDS	General Data Dissemination Standards of the IMF
GDP	Gross Domestic Product
GNS/W/120	GATS Services Sectoral Classification
ICFA	ISIC Categories for Foreign Affiliates
IMF	International Monetary Fund
ISIC, Rev.3	International Standard Industrial Classification, Revision 3
MSITS	Manual on Statistics of International Trade in Services
OECD	Organisation for Economic Co-operation and Development
OECS	Organisation of Eastern Caribbean States
RNM	Regional Negotiating Machinery
SNA93	System of National Accounts, 1993
SUT	Supply and Use Tables
TSA	Tourism Satellite Account
UBO	Ultimate Beneficial Owner (used in respect of foreign affiliates)
UN	United Nations
WTO	World Trade Organization

1.0 INTRODUCTION

1.1 Background

The current CARICOM Trade in Services Statistics Project is a continuation of the ongoing process for the development in the region of statistics on international trade in services. The primary goal of the project is to establish Common Guidelines to be used by member states in measuring trade in services, so that these statistics may help to provide a deeper understanding of the factors that contribute to their current account balances with the rest of the world. In essence, the Common Guidelines seek to outline procedures to be followed in implementing the international standards for statistics of trade in services, that is the collection and compilation of information on imports and exports of services – including foreign direct investment in the national economies, as well as CARICOM investment intra-regionally and externally.

The regional context of the project is the establishment of the CARICOM Single Market and Economy (CSME), and in particular the provisions of the agreement relating to the removal of restrictions to the right of establishment, the provision of services and the movement of capital. In preparatory discussions it is noted that " Critical to monitoring the implementation of the new activities envisaged is the ability to collect data and related information on all services activity – both on the production side and in trade aspects. The capability to monitor performance and provide information to decision makers for the preparation of policy positions and also inform international negotiations is considered to be an important imperative."

Internationally, the context of the project is the increasing importance of trade in services to many countries, and the demand from business and analysts and particularly from governments for more information on this trade, especially since international trade agreements now tend to cover not only goods but services as well. In trade negotiations the underlying interest lies in increasing access to national markets in services. The desire for access to markets in services in turn fuels the demand for national statistics on services that are internationally comparable in the discussions on liberalized trade and privatization. The most far-reaching of the trade agreements involving services is the General Agreement on Trade in Services (GATS). It entered into force in January 1995 and its requirements influenced the recommendations of the United Nations *Manual on Statistics of International Trade in Services* (*MSITS*), which provides the conceptual statistical framework for measuring trade in services. The *Manual* is the primary authority on the issues addressed in the present project.

The specific context of the Situational Assessment Report (November 2001): The CARICOM Trade in Services Statistics project seeks to build on the recommendations of the 2001 Situational Assessment report *Strengthening the Capacity of National Authorities and Regional Organisations in respect of Services Statistics*. That assessment was made in the context of evaluating the adequacy of the existing statistics to meet the needs of users, particularly the needs of policy makers and trade negotiators for more detailed and comparable statistics on the expanding trade in services.

The main findings of the assessment were that, "although basic data exist, in order to meet the full range of user needs, services statistics programmes need to be enhanced and expanded." The

report identified issues that could be addressed in a three-year work programme, that is, taking into consideration the all-important factor of resource constraints. The recommended activities focused on what could be done – what areas needed to be addressed – to enhance the services statistics programmes. They included the recommendation that technical assistance be sought to help implement some activities. Another recommended activity referred to the "Establishment of a common methodological approach including guidelines for statistical surveys, data collection, analysis and processing of services statistics". The current project represents a follow-up to those recommendations; it seeks to address those issues by preparing more comprehensive guidelines to enable member states to develop their statistics on international trade in services, and to do so using a harmonised approach.

1.2 Goal of the Common Guidelines

The *Common Guidelines* document presents operational guidance for the collection and compilation of statistics of international trade in services in the Caribbean Community. Given the goal of harmonisation of statistics in the region, the guidelines are designed to be common to all member states, so as to establish regionally agreed standards that will assist in the achievement of this goal. The document deals with implementation and methods – **how to** execute the recommendations and what international methodology to follow, adapted to the priorities and exigencies of the Caribbean Community. The aim is to provide more specific guidance for compilers in the region and how to implement various requirements recommended in the international manuals on services and emphasized in the 2001 Situational Assessment report.

The document is meant to be used as a companion guide. The goal is to provide compilation guidance, which *MSITS* itself identifies as one of the areas in which further work is needed. It is meant to be used in conjunction with the comprehensive manuals of the United Nations and the International Monetary Fund, particularly *MSITS*, BPM5 and SNA93, to which reference will be made throughout. Within the programme of developing the Trade in Services Statistics in the Caribbean Community, the coverage of the *Common Guidelines* in relation to other documents can be viewed in this way:

- All definitions, concepts and methodology
  ideally to be followed are found in the Manual: *MSITS*
- First steps that should be taken in member states of
  the Caribbean Community, given their circumstances   *2001 Assessment*
- Collection and compilation procedures in the service sectors,
  how to implement them, and estimation techniques   *Common Guidelines*

1.3 Coverage of the project

Documentation of common guidelines for measuring trade in services is one the three components of the Trade in Services Statistics Project. The second is field visits and the actual compilation of services statistics of the Balance of Payments in select countries, using the Extended Balance of Payments Services (EBOPS) classification. This compilation was exploratory, and provided concrete detail to further inform the documentation of guidelines for the solution of problems that surfaced and identification of best practices to overcome them. The

third is the capacity building component conducted mainly in the form of workshops for compilers and stakeholders in general.

1.4 Field visits

Compilation activities were executed by three of the consultants working with compilers of the national statistical agencies and central banks. Seven countries were visited: Barbados, Belize, Jamaica, St.Kitts and Nevis, Saint Lucia, St. Vincent and the Grenadines and Trinidad and Tobago. The compilation exercises made it possible for the consultants to gain first hand knowledge of the operational constraints of the statistical programme, the level of knowledge and technical skills involved, and explore with officials the feasibility of proposals for improvement. The largest portion of time was spent with the Central Banks and the National Statistical Offices, examining worksheets, extracting data, often manually, and discussing various aspects of the statistical programmes. This was a very time-consuming exercise, which could not be accomplished without the presence and full cooperation of the national compilers, and the availability of compilers was a major determinant of the pace at which the exercise could be accomplished.

1.5 Project team

The project was undertaken by a team of consultants:

Julian Arkell	- Senior Consultant
Lucilla Lewis	- Regional Consultant and Project Manager
Noel Boissiere	- National Accounts/Balance of Payments Consultant
Dave Clement	- National Accounts/Balance of Payments Consultant
Hugh Henderson	- Classification Consultant
Wendell Thomas	- Information Technology Consultant
Jose Garcia Nunez	- Sampling and Survey Consultant
Berkeley Greenidge	- Financial Sector Consultant

Noel Boissiere was responsible for the final draft of the Common Guidelines, to which material was contributed by Lucilla Lewis and Julian Arkell. The reports of the Consultants are reproduced in Annexes. Their key recommendations are incorporated in the final section of the report, Section 10: Summary of Recommendations and Conclusions.

The Trade in Services Statistics Project was designed and executed by the CARICOM Secretariat with technical assistance from C-TRADECOM, the Caribbean Trade and Competitiveness Development Program, CARANA Corporation, Bridgetown, Barbados. C-TRADECOM is a programme funded by the United States Agency for International Development; aimed at addressing competitiveness and trade expansion for the countries of CARICOM. It has provided technical assistance and resources to assist member states to collect and compile statistics of trade in services and investment, and to advance the implementation of trade obligations.

2.0   OVERVIEW

2.1 The Manual *MSITS*

The *Manual on Statistics of International Trade in Services (MSITS)* is the primary authority on the issues addressed in the Common Guidelines document. The Manual sets out a newly defined framework for measuring trade in services. It is intended as a reference manual of concepts and methodologies for the compilation and reporting of statistics on trade in services and foreign direct investment. It is worth emphasizing that *MSITS* recommends extending BPM5 not replacing it: "The international transactions in trade in services that take place between residents and non-residents of an economy that are described in the present *Manual* [*MSITS*] are based on the BPM5 classification and definition of services, but the detail recommended in chapter III of the present *Manual* is greater than that of BPM5." [para. 2.32] In current practice, the imports and exports of service products, i.e. trade in services, is usually measured within the balance of payments statistics; and compilation of the balance of payments has been guided by the *Balance of Payments Manual* (BPM5). *MSITS* is therefore fully consistent with the BPM5 in its concepts and classification, but goes further and provides a more detailed classification of trade in services statistics in the form of the *Extended Balance of Payments Services classification* (EBOPS).

In the wide range of concepts and methodologies described in the manual, five core elements are recommended for implementation on a phased basis by national statistical agencies, according to the needs and priorities of their own countries or region.

2.2 Recommended core elements

1. Implementation of BPM5 recommendations on service transactions between residents and non-residents.

2. Compilation of balance of payments data according to EBOPS, which involves disaggregating the BPM5 standard components for services into EBOPS subcomponents. Available memorandum items should also be provided.

3. Compilation of statistics on trade in services by partner country, for each of the main types of services in BPM5.

4. Collection of complete statistics on foreign direct investment (FDI) (i.e. flows, income and stocks) classified by ISIC Rev.3 activities.

5. Recording of basic Foreign Affiliates Trade in Services (FATS) variables, such as sales or output, employment, value added, exports and imports of goods and services, and number of enterprises, broken down by ISIC, Rev.3 activities.

The implementation of these five core elements would provide another basis for internationally comparable data sets, that is, comparison at a more detailed level. Five other recommended elements are seen as a long-term goal. They are:

- Completion of EBOPS classification to the extent relevant to the compiling economy
- Compilation of additional variables for FATS statistics
- Collection of statistics on persons working abroad
- Subdivision of trade in services data to identify trade between related and unrelated parties
- Allocation of transactions between residents and non-residents over the GATS four modes of supply, including Mode 4 presence of natural persons.

3.0   COMPILATION OF THE BOP CURRENT ACCOUNT: SERVICES

Goals

The goal here is to produce statistics that reveal the growing importance of services produced in each economy and specifically the growth in trade in those domestic services that are now traded internationally, or have the potential to be traded because of international interest in such trade.

The production of data based on the EBOPS classification is a basic first step required in the Manual *MSITS*. It is noted, however, that in the proposed Revision of the Balance of Payments Manual (BPM5), it is not proposed to introduce the full *MSITS* classification of services as standard components.[1] In most countries of the region the BOP classification of services now in use is the BPM5 classification, and the extension from this to the EBOPS classification essentially requires three steps, namely (1) widening the coverage of service industries (2) expansion of product detail collected, and (3) in some cases, realignment of the posting of data collected to specific service components.

Internationally accepted EBOPS codes

In the discussions of the core sectors, which follow, cross-reference is made to the definitions of the components of EBOPS as presented in detail in *MSITS*. Compilers are encouraged to make full use of *MSITS* and its coded descriptions of the contents of an item [Table A.III.l, EBOPS-CPC, Version l.0 - GNS/W/120 correspondence]. The table shows the internationally accepted EBOPS code for each service item, and the contents of an item are shown with their corresponding Central Product Classification (CPC) code.[2]

In addition, compilers should note that the discussion of coverage of the definitions has proved very helpful in determining how to classify and code an item reported in any of the BOP survey forms. This narrative is found in *MSITS* Chapter III, Section H, paragraphs 3.52 to 3.143. In reading the sections which follow, it would be beneficial to review these outlines of services along with reference to the entire classification of EBOPS services provided in Annex II of *MSITS*, and reproduced here in Annex I. In the *Common Guidelines* document references to the internationally accepted EBOPS codes, and all references to the manual *MSITS* are shown in square brackets.

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[1] Nevertheless, "it is proposed that there be a link table between the classification of services in the balance of payments standard components with the Central Product Classification (CPC). Such a table would provide specific information on the coverage of items…" [Revision of the Balance of Payments Manual, Fifth Edition, Annotated Outline, IMF April 2004]

[2] A helpful companion document to the manual MSITS is *Measuring Trade in Services*. It is a training module on statistics of international trade in services produced by the World Trade Organization, and it provides an overview as well as elaborates on the concepts in the manual. It is available at the website
http://www.wto.org/english/res_e/statis_e/services_training_module_e.pdf or at the UN website
http://unstats.un.org/unsd/tradeserv/.

The CARICOM Core Service industries

Service industries of major interest to decision makers of the region were identified by the CARICOM Secretariat as indicated by the Advisory Group Meeting of the Caribbean Community. These "core" industries are listed in the tabulation below, along with the services product associated with those sectors. The distinction between service industry and service product should be noted. Generally, policy analysts are interested in information about the *industries* that produce and supply services and in analyzing what proportion of domestic production is exported and what proportion of total supply of a *product* is imported. Industry output should ideally be broken down into *product* outputs, in which case an industry would be shown to produce more than one product, and a service product would be shown to be produced by more than one industry. Ideally, both domestic production and exports and imports should be compiled in the product dimension. However, in the absence of product information, industry data will be treated as an adequate proxy for broad groups of service product data.

In the listings given in the BPM5 and EBOPS classifications, the services "component" refers to the service product. In the tabulation below, column 1 shows the core industries of interest as originally identified by the CARICOM Secretariat; the entries in column 2 represent the corresponding service products listed as components in the EBOPS classification; and the internationally accepted code for that component is shown in column 3. In the course of the project rearrangements and fine-tuning of descriptions of the core sectors have been proposed. (See also report on Classification.)

Sectors identified as Core Sectors for the Caribbean Community		
Core Sectors/Industries	**EBOPS Component Category**	**Code**
Transportation services	Transportation	205
Travel and Tourism	Travel	236
Communication services, including postal, courier and telecommunications	Communications services	245
Construction services	Construction services	249
Insurance services	Insurance services	253
Financial services including offshore financial services	Financial services	260
Computer and information services	Computer and information services	262
Legal services	- Miscellaneous business professional and technical services	275
Accounting and related services	- Miscellaneous business professional and technical services	276
Engineering and related services	- Miscellaneous business professional and technical services	280
Research and development	Research and development	279
Other business services	Other business services	284
Education services	Personal, cultural and recreational services	895
Health services	Personal, cultural and recreational services	896
Entertainment services including cultural services and live bands	Personal, cultural and recreational services	897
Distribution services	Other trade related services	271
Services incidental to the energy industry	Misc. Business, professional & technical	283

	services	
Services incidental to manufacturing		284

These core sectors cover all but two of the 11 broad categories of services listed in the BPM5 and EBOPS classification. They are of interest to decision makers for a variety of reasons including high export potential, current significance export earnings, employment generating capacity, importance in inter-regional trade, and as targets of liberalization in on-going trade negotiations.

Services components

3.1 Transportation [205]

Definition

Transportation services include three kinds of services provided by residents of one economy to those of another: passenger, freight and other transportation services. EBOPS distinguishes eight modes of transportation providing these three services. For current purposes we are concerned with the original three covered in BPM5: sea, air and other transport services [206, 210, 210]. EBOPS further subdivides Other transport services and distinguishes six other categories of transportation service, only one of which – *Other supporting and auxiliary transport services* [232] – is of any significance in the region.[3] Sea transport, Air transport and Other transport services are then each broken down into three components, namely passenger, freight and other services. In this way exports and imports of transportation services can be stated either by the mode of service or by the type of service; e.g. Barbados reports by type of service, namely total exports of passenger services, freight services and other services. Other countries report by mode of service, e.g. Sea, Air, Other. Both formats are informative and useful. For purposes of standardization for a regional report the recommended reporting format is the latter, based on the Standard Presentation format of BPM5.

Points to be noted

1. In the EBOPS listing of Extended classification of other transport, item 1.9 O*ther supporting and auxiliary transport services* [232] is of particular interest since this component includes cargo handling and container handling services. *MSITS* recommends that all cargo handling services be included in [232]. The definitions of Sea transport services [209] and Air transport services [213] specifically exclude cargo handling. *MSITS* notes that services that relate to more than one mode of transport and that cannot be allocated to individual modes of transport are recorded under this heading. It includes "cargo handling (such as loading and unloading of containers), storage and warehousing, packing and repackaging …" (para.3.71) The separate identification of this activity in *MSITS* reflects its increasing size and importance as a tradeable service worldwide. Provision of the service is probably a subject of discussions on privatization and liberalization in trade negotiations. In the region the service of container handling is revenue to the Port Authority. Data for compilation are collected from the Port Authority. The possible implications for the region of showing it as a separate item should be weighed before necessarily adopting the *MSITS* option. For statistical purposes, it is recommended that container handling should continue to be reported where it now sits, i.e. aggregated with other items in O*ther transport services* [217].

2. Freight transportation services include services provided by non-resident operators on the compiling economy's imports (debits). [para. 3.67] There are several methods for estimating freight services, mostly requiring the collection of survey data. One method – the current

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[3] Road Transport and Inland waterway transport were initially included in the proposed standardized template for the region. Cross border transport in Belize and Guyana was contemplated here, but if measured the values involved might be too small to merit subdivision.

practice in the region – is to estimate this debit entry as a percentage of the c.i.f. value of imports – 10% in most cases. (The c.i.f. value of total imports is correspondingly reduced as one of the adjustments to bring merchandise imports to the f.o.b. valuation required by convention.) Trinidad uses reported survey data on freight services and therefore does not need to use the method of applying an arbitrary percentage. The 10% ratio estimate used in other countries was based on data collected in a sample survey, conducted sufficiently long ago as to be beyond the memory of current compilers. It would be prudent to re-examine this figure and update it or examine the possibility of changing the method of estimating freight services. Comparison of the debit entries for Trinidad 2003 and Barbados 2002 further supports the need for re-examination.

3. Passenger transportation services. Care should be taken in the treatment of transportation services provided by a domestic company to visitors and tourists <u>within the country.</u> This is a common occurrence within the region, and is to be treated not as transportation but as travel. *MSITS* notes that transportation services exclude "passenger services provided to non-residents by resident carriers within the resident economies (included in *travel services*), cruise fares (included in *travel services*), … and time charters without crew (included in *operational leasing services*). [para. 3.66] In current compilation, such services are correctly allocated to travel when dealing with taxi services, but it is sometimes overlooked when allocating the services of domestic airline companies providing services to tourists within the country.

3.2 Travel and Tourism

Tourism accounts for the largest share of value added in several CARICOM member countries and in still others where it is second to agriculture it has emerged in recent times as the fastest growth sector. At present, most member countries do not yet compile tourism satellite accounts (TSA), or compile data on receipts from tourism in a manner that allows the disaggregation recommended in the *MSITS*.

In BPM5 only two sub-components of travel were required, namely Business travel and Other travel. EBOPS requires that both components be further broken down to distinguish five types of expenditure on travel as follows:

    2.1 Business travel
        2.1.1   Expenditure by seasonal and border workers
        2.1.2   Other
    2.2 Personal travel
        2.2.1   Health-related expenditure
        2.2.2   Education-related expenditure
        2.2.3   Other (which includes the major item of vacation travel)

In this section detailed recommendations for reporting and estimating data on receipts from tourism will not be addressed; however guidelines with respect to existing best practices will be

presented.[4]   It is anticipated that, within the next three years, the ongoing attempts in some member countries at compilation of the Tourism Satellite Account (TSA) should provide the details necessary for reporting of receipts from tourism in the manner recommended in the *MSITS*.

Currently, most member countries estimate receipts from tourism based on the recommended methodology of the Caribbean Tourism Organisation (CTO), which is outlined below. In summary, the methodology uses arrival statistics for different categories of tourists, times average length of stay and average daily expenditure of each category of visitor.

The reliability of this estimation framework depends on the integrity of the survey and sampling techniques used. Ideally, samples should be drawn up with regard to procedures recommended in the chapter on Surveys and Sampling Techniques in these Common Guidelines. Important elements highlighted there to which particular attention should be paid are frequency of surveys, timing of surveys to capture seasonality, as in the case of the carnival season in Trinidad and Tobago, and training of interviewers.

The methods used in Barbados to derive the travel and tourism estimate are outlined here and presented as one example of regional practice. Given the dominance of tourism in the Barbados economy, the Barbados Statistical Service (BSS) gives priority to improving its estimation methods on an ongoing basis. The BSS now uses a methodology and framework of definitions somewhat different from the CTO recommendations. The structure of the two approaches is as follows:

A. Barbados Statistical Service: Approach to estimation of visitor expenditure

Definitions

Visitor. The BSS defines a visitor as a person who travels to Barbados for leisure or other purposes for a length of stay not exceeding six months.

Visitor expenditure is defined as the Total Consumption Expenditure made by a visitor or on behalf of a visitor during that visitor's stay. Cruise ship passengers and other day visitors clearing immigration are therefore covered in the estimates of visitor expenditure. This total includes payments made for goods and services provided for the visitor during the visit whether goods are consumed in Barbados while visiting, or taken abroad for future use. Relevant items include those directly relating to the visit. Gifts and donations to friends in appreciation of hospitality extended during the stay are treated similarly to board and lodging. (It is to be noted that *MSITS* recommends that expenditure on goods should form a memo item and be removed from the service item for GATS purposes.)
Excluded from the visitor expenditure are capital purchases such as villas and condominiums. Any maintenance or recurring expenses incurred while using the property as visitor accommodation is included. Reporting of these kinds of activities is seldom clear or precise.

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[4] This documentation outlining the practice in Barbados is taken from an internal report of the Barbados Statistical Service and the Caribbean Tourism Organisation.

Spending by in-transit passengers and those not normally required to clear customs is not accounted for in the estimate.

Bednights. One bed-night refers to a night spent by one visitor wholly or partly occupying one bed. Hence, if two persons occupy one bed for one night that is recorded as two bed-nights. This results in total bed-nights during a period being equal to the total number of guests spending the night for that period.

BSS Sources and Methodology

Survey of Overnight Guests

The information on total bed-nights is obtained from the Survey Overnight Guests (SOG) conducted by BSS. This survey provides data on the following:

* Total Number of Guests spending each night of a given month, by country of residence.
* Total Number of new registrations for each day of a given month, by country of residence.
* Total Number of beds available during the month.
* Total Number of rooms available during the month.
* Total Number of unit/rooms occupied during the month.

Entry\Departure (E\D) Card Information

E\D card data are employed to supplement those from the SOG which often has gaps due to non-response. In addition, since not all visitors stay in recognised accommodation this source provides coverage where the SOG does not. Some adjustment is made to the information to convert tourist days reported on the cards to tourists nights.

BSS Estimate of Average daily Spending
        The average daily rate of spending is estimated for three clearly identifiable groups:
         * Listed Accommodation Establishments
         * Private and unrecognised Accommodation
         * Cruise Passengers

Listed Accommodation Establishments are those included in the Barbados Tourism Authority's rate sheet for hotels, guest houses and apartments. These rates are usually published along with the various meal plans offered by the establishment. A Modified American Plan (MAP) is used as the standard plan applied by the BSS for all listed properties. Where the plan is not published or offered, the average MAP for the group in which the property falls is used as a proxy.

All inclusive hotels depart from the other types of accommodation in that they include in their quoted rates the cost of room as well as all meals and a variety of services provided during a day. This rate is dissected to identify the components charged for room, meals and the other services.

An average daily rate for the group in which each accommodation establishment falls is computed using available daily beds to establish a weighted average.

The foregoing calculations are then used to determine the main components of the visitor expenditure by season for tourists staying in:

(1) hotels and recognised accommodation registered with the Barbados Tourism Authority and /or members of the Barbados Hotel and Tourism Association

(2) private unrecognised accommodation including homes of friends and relatives, rented cottages and villas, etc.

(3) excursionists or day visitors comprising cruise passengers and other day trippers who require no accommodation.

First, visitor spending within the place of stay is derived by summing the product of total bednights per season by accommodation group and the estimated average daily rate for room and board in the various groups.

This represents only part of the overall spending of the visitor during the stay. In order to gross-up this figure to account for other spending outside of the place of stay, this estimate of total in-house spending in summer is assumed to be 60 percent of total visitor spending for that period while that for winter is taken as 65%. The combination of the separate calculations of total summer visitor spending and total winter visitor spending yield the estimate of total visitor spending for the year.

B. Caribbean Tourism Organisation: Approach to estimation of visitor expenditure

Definitions

In the case of Barbados, the international definitions advocated by the World Tourism Organization (WTO/OMT) have been followed, namely:

Visitor: Any person visiting a country other than that in which they normally reside, for not more than one year, and whose purpose of visit can be classified under one of the headings in the following table:

Purpose of Visit	Type of Activity
Leisure and visiting friends and relatives	recreation, holiday, shopping, sports and cultural events, visit family/friends,
Business	mission, meeting, paid study & research
Other	Health treatment, religious pilgrimage, aircraft & ship crew

There are two types of visitors: tourists and same-day visitors, which are defined as follows:

- *Tourists* are visitors staying at least 24 hours in the country visited, and;

▪ *Same-day visitors* are visitors staying less than 24 hours in the country visited.

Within the context of these definitions, the following special categories should be noted:

▪ *Cruise passengers are regarded as a special type of same-day visitor (even if the ship overnights at the port).*

▪ *Yacht visitors are included among the tourist (stay-over) or same day population based on their length of stay.*

It also follows that nationals of Caribbean countries who <u>permanently</u> reside abroad should be categorized as tourists when they return on a temporary visit for any of the reasons listed above This definition is now followed by most Caribbean countries.

CTO Estimate of Average daily Spending

CTO uses a direct approach to the estimation of visitor expenditure. The quarterly Visitor Expenditure and Satisfaction Survey (VESS) provides average daily expenditure for stay-over as well as cruise passengers. The daily average is based on the reported spending of the visitor. This information is collected by interviewing which is conducted monthly at the exit ports of Barbados.

Visitors who come to Barbados on their own arrangement are usually in a position to provide full detailed information on the cost of the individual goods and services purchased during the trip. This, along with the reported actual length of stay of the visitor, permits the determination of the average daily spending for this group of visitors.

Prepaid package tour visitors are unable to specify individual cost of items included in the package. Background information from tour operators regarding the cost of the various goods and services quoted in the package provides a legitimate basis for estimating the average daily expenditure on detailed item groups.

The VESS allows the determination of average daily expenditure taking into account the various demographic and other characteristics of the visitor. Tabulations are prepared for the characteristics of such variables as country of residence; purpose of visit; place of stay; length of stay and others. In the final analysis total spending is determined in great measure by these characteristics.

Total Visitor Arrivals
Total visitor arrivals in accordance with the CTO adopted definition is derived from the E/D card data file and used in the process of calculating total visitor expenditure. This information covers the entire population and its distribution is preferred to that coming from a sample survey since it is free of sampling error, which is inevitable in a sampling distribution.

Average Length of Stay

For the same reason offered in the case of total visitor arrivals the average length of stay provided by the E/D card data is employed in the estimation. This length of stay represents the intended length of stay for the visiting population. In the survey, visitors report their actual length of stay. The available evidence suggests that expected length of stay in reality does not depart significantly from the actual length of stay.

Average daily visitor expenditure is calculated as total spending per visitor day times number of nights spent divided by total number of persons spending.

More specifically, estimates are done for spending by various population characteristics, for example, by country of residence is particularly estimated.

Weighting of the average daily spending per stay-over visitor

It is clear that total visitor spending is a function of such variables as the country of residence; place of stay; length of stay; and purpose of visit. From the VESS CTO produces estimates of average expenditure for these variables. However, *total visitor spending* is subject to the influence of the relative distribution of these variables in any given period. In particular, it was discovered the distribution of the variable Type of Accommodation was a significant determinant. In order, therefore, to fine tune the average spending an adjustment is made to take into account the weight not only of the country of residence but of the type of accommodation.

Components included in the estimates of visitor expenditure as derived from the visitor exit survey are highly aggregated groups of goods and services purchased by visitors during their stay. Such groups as accommodation, other meals and drinks purchased outside the place of stay, Taxi/car rental, tours, entertainment/recreation, shopping and other spending are among the broad groups regularly used. Accommodation often includes other expenditure incurred in the accommodation establishment. There is clearly a need for further studies to determine the detailed commodity flows through the tourism sector.

3.3 Communications services [245] and Computer and information services [262]

Definition

These sectors are two of the 11 main groups of services identified in BPM5 and EBOPS. They are discussed together here for convenience. For both sectors EBOPS requires further disaggregation of the BPM5 single component as follows:

> *Communications services*
> (i)   Postal and courier services (the latter showing growth in the region)
> (ii)   Telecommunications services, include electronic mail (e-mail), on-line information and data retrieval, fax services and radio and television transmission services. (For the full range of services and their CPC classification, see *MSITS* Table A.III.1.)
> *Computer and information services*

(iii)   Computer services, comprising consultancy services, data processing services, and maintenance and repair of equipment

(iv)   Information services, which are further broken down into
   i. News agency services
   ii. Other information provision services, such as database provision services to business.

Disaggregation of Computer and information services would require a small change in the survey questionnaire, which now has them combined. The breakout is recommended as helpful for GATS, largely because of the News agency services, which GATS shows separately. The services listed above are key components of ICT services. They are undergoing major reorganization in classification systems, as the scope of communication and information coverage is being expanded to reflect Internet and related technology.

For the next BOP manual, a classification of these products is proposed which would combine EBOPS Communications, apparently including courier /postal services, with Computer and information services into a new Information technology services group. That new total would be broken out in three ways described as Computer services, Internet provision services and Other information provision services.

Compilation and data sources

These are all relatively new service activities and a data collection system has not been fully established in all countries of the region. The main requirement now is to capture the whole universe of the providers of these services. This once more involves the development and updating of the register of businesses, particularly where the business unit is likely to be small, owner-operated, and in the range of 0-5 employees which may not now be included in the register of businesses. The basic data is collected by annual BOP survey in Barbados, Belize, Trinidad and Tobago (quarterly). In the accounts for the OECS any information on transactions in computer and information services (imports mostly) is now hidden in the category Other expenditure. An amendment to the BOP survey forms could yield the desired information. The large Other expenditure figure could be broken down by asking survey respondents to specify items on a list including computer services, which are not now specifically mentioned.

3.4 Construction services [249]

The general assessment for this sector is that the data now collected on construction activities would not allow the proposed *MSITS* disaggregation, and in the light of the complexities in implementation of the *MSITS* requirements, no further breakout is suggested at this time. The requirements of *MSITS* for the construction sector are now outlined.

Definition

Three features of the definition are to be noted:

(a) The definition focuses on the mode of consumption rather than on the type of product consumed, which is more usual; that is it looks at where the construction activity is performed and the location of the transactors: "*Construction services* covers work performed on construction projects and installations by employees of an enterprise in locations outside the economic territory of the enterprise." This is the definition also used in BPM5 (para. 254) and in *MSITS* [3.92-3.98]. The difference is that *MSITS* requires the recording of much greater detail.

(b) For the EBOPS classification *MSITS* recommends the further breakdown of construction services into two standard components:
- Construction abroad, and
- Construction in the compiling economy

Both sub-components cover work performed on construction projects in locations outside the economic territory of the enterprise.[3.94] So that even the classification *Construction in the compiling economy* looks at the transaction from the view point of the non-resident contractor performing work outside his territory, or his presence in the compiling economy in order to deliver the service. Consequently, a type of construction activity and transaction that is fairly common in the CARICOM region is not included here, namely where a resident domestic contractor provides construction services to non-residents by building dwellings and structures inside the economic territory of the enterprise. Particularly in the OECS this is the credit item for a service that some countries have been trying to estimate.

(c) BPM5 excludes projects carried out by foreign subsidiaries or branches of enterprises (direct investors) and certain site offices because such projects are treated as part of the production of the host economy, as opposed to being treated as construction services imported into the host economy. In the Caribbean large hotel developments, and major projects such as petroleum sector installations, roads and bridges, which often use skills brought in from outside the region, would be examples of this kind of activity. They are currently treated as domestic production of construction services.

The timing is very important in the attribution of construction services performed outside the economy as exports of the compiling economy, or as domestic production of the host economy and therefore not a BOP services transaction:
For short term projects of one year, enterprise A of the compiling economy performing construction work in B the host country is treated as exporting a service to that country, and therefore earning a credit in the compiling economy, under the item *construction abroad*.

For longer term projects, that is construction involving major specific projects (roads, bridges, new plant, power stations, etc.) that often take several years to complete and are carried out and managed by non-resident enterprises through site offices, such construction is treated as the production of a resident unit, and therefore part of the production of the host economy, rather than as an export of services to the host economy. [For details, see BPM5 para. 78 and 254]

Compilation and data sources

In the CARICOM region, data now collected on construction activities would not allow the proposed *MSITS* disaggregation. For domestic production, surveys are conducted in Barbados,

Jamaica and Trinidad and Tobago to compile estimates of output and value added for the national accounts. In the OECS measurement of the GDP in construction is done by using the commodity flow approach in which estimates of gross output are built up from basic data on merchandise imports of construction materials.

For trade in construction services, only Barbados shows an estimate of earnings from non-residents for construction services. This credit entry is derived from specific survey information – from BOP Form 13, International Transactions in Selected Services – sent out to roughly 50 companies ranging across sectors. The reported earnings are then considerably adjusted to produce the final estimate. In other countries of the region the activity of providing construction services to non-residents does not exist or procedures have not yet been adopted to record such activity.

On the debit side, imports of construction services, Barbados and the OECS states have been making estimates of these transactions since 1995. In Barbados the information is collected from a survey questionnaire, and in the OECS the estimates are built from information gathered from direct interviews with project managers of the large, externally funded projects. The Central Bank of Trinidad and Tobago has recently begun collecting data on payments and receipts for construction services, using a multipurpose survey form RBOP09, reproduced as an Appendix. Preliminary estimates were made for the year 2003.

Five broad steps in collecting and compiling data on trade in construction services are highlighted:

a) The first step is to identify the businesses engaged in supplying construction services outside the country. This is part of the general development and updating of the business register. To be complete, building contractors who provide services domestically to non-residents should also be recorded.

b) Basic data can be collected from surveys, as is now done in Barbados (BOP Form 13, International Transactions in Selected Services), and in Trinidad and Tobago (BOP Form RBOP09 Survey of Private Investment), which is a survey dealing primarily with foreign direct investment. This means that specific questions on receipts and payments for construction services are inserted in more general surveys sent not only to construction enterprises and also architectural and engineering enterprises, suppliers of the services, but also to other businesses in a range of sectors likely to be consumers of imported construction services.

c) Most important would be direct interviews with project managers both of private direct investment enterprises and of public sector projects to obtain information on total project cost and the portion, in percentage terms at least, which should be treated as payment to non-resident contractors employed on the project (debit). The relevant ministries are the major source of information on public sector projects, whether it is the Ministry of Public Works, Communications or Industry.

d) Construction services are valued on a gross basis – that is, the value includes all goods and services used as inputs to the construction activity, and specifically includes the

operating surplus that accrues to the owners of the construction enterprise. [3.94] This is the same principle used by national accounts statisticians to value all production of goods and services based on SNA93.

e) Standardization of treatment of construction services across the region. Particular attention must be paid to the treatment of large construction projects involving non-resident contractors in particular sectors, e.g. petroleum sector company constructing new plant (Trinidad), or hotel sector constructing large, new facilities (Barbados), or public sector roads (Leeward Highway, St. Vincent), and bridges and harbours funded by international agencies, for which contractors bid and often come from outside the country, e.g. IADB funding of sea defence works in Guyana. The value of these construction activities is to be treated as domestic production and therefore not a transaction in trade in construction services.

f) Consequently, it should be noted that in the balance of payments of the country, these large construction projects that are carried out and financed by non-residents appear not as trade in services in the current account, but as inflows (foreign direct investment) in the capital account.

3.5 Insurance services [253] and Financial Services [260] [5]

Classification

Under the Common Guidelines, financial services are classified into two product categories, namely:

- Insurance; and
- Other financial services, including international financial services

While this basic structure is consistent with the broad categories of services listed in BPM5, it does not reflect the level of specialization that has developed within the industry, particularly within the last 20 years. There is therefore a need to ensure that the level of detail to which the performance of these sub-sectors is tracked meets the needs of the multiple users of services statistics, including central banks, national accountants, trade analysts/negotiators, ministries of finance and industry, economic forecasters, business, and academia. Further closer alignment of statistical reporting formats with those of the industry sectors will enable more timely and accurate reporting (particularly through the use of automated reporting processes), which in turn, may result in higher response rates.

As a result, a uniform, region-specific sub-classification system should be developed to further analyze these broad statistical categories. The recommendations are set out below.

Insurance

The insurance sector has developed into unique business segments, which should also be reflected in the statistical classifications. At the highest level, the sector is segregated into life insurance and property and casualty insurance.

Life insurance

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[5] Berkeley Greenidge, Financial Sector Consultant, prepared this section on Insurance and Financial Services.

Life products have become specialized, and this level of specialization is reflected in operating performance analysis within the industry. It would therefore be beneficial to further analyze life business into the following components:

- Life (ordinary and whole life convertible)
- Term
- Pension funds, which are characterized by annuity type contracts
- Group life
- Group medical

Property and Casualty insurance

Similarly, the specialization that has developed within the property and casualty insurance should also be captured in the sub-sector classifications:

- Property (Building and contents, other property)
- Marine
- Aircraft
- Motor
- Freight
- Employers' liability
- Occupier's liability
- Professional indemnity
- Product liability

Other Financial Services

Generally, other financial services should mirror the distinct characteristics of domestic and international financial services sectors.

Domestic Financial Services sector

Like other financial service sectors, domestic financial services have become specialized, even to the extent that separate entities have been established to provide unique service lines. The importance of investment activity is also increasing, given the increasing affluence of the society in general, and fiscal incentives to save and invest in many Caribbean countries.

At the top level, the domestic sector should be classified into banking and investment sub-sectors.

With regard to banking, the following components should be reflected in the classifications:

- Retail banking
- Merchant banking
- Mortgage lending and trust services
- Financing, including hire purchase and leasing

The investment sub-sector should be further analyzed to reflect the following:

- Mutual funds and other collective investment schemes
- Investment brokerage
- Private pension schemes (see below)

Private pension schemes, managed independent of the funding organization, is becoming an increasing characteristic of post-retirement benefits planning. In both defined benefit and contribution schemes, contributions are invested to provide for addition benefits for scheme members.

Real Estate

Given the market demand for commercial and residential accommodation, and the potential for higher than average rates of return, real estate has become a significant investment vehicle, particularly for cash-rich entities such as pension schemes and insurance companies. While n change in the classification is proposed, consideration should be given to further analyzing this sub-sector into the following components:

- Development and sale

- Property management

International Financial Services sector

One of the important considerations of the international financial services sector is assessing the success of individual sub-sectors, not only in terms of the number of registered entities and trends in registration levels, but the quality of those registrations from an economic valued-added perspective. This analysis also forms the basis of assessing the competitiveness of the legislative and regulatory frameworks and direct marketing efforts.

It is recommended that the international financial services sector be further analyzed by legislative type, namely:

- International Business Companies (IBCs)

- Exempt insurance

- Offshore banking

- Ship registration

- Limited Liability Corporations

- Limited Liability Partnerships

- Societies with Restricted Liabilities

- International Trusts

- Mutual funds

- Protected Cell Companies

- Segregated Cell Companies

In some jurisdictions, an entity must be incorporated as an IBC and then licensed to conduct specific activities. Care must therefore be taken to avoid double-counting of entities where this is applicable.

Classification of Financial Services Activities – Specific Issues

Integration of financial services and retail sector

Traditionally, consumer goods such as appliances and electronics have attracted high levels of import duties, which in turn, have artificially inflated the selling prices of those products. In order to make these products affordable for the target customer groups, the distributors of these goods have had to provide some level of financing. This has led to the provision of significant

credit facilities by the distributors, usually in the form of hire purchase or other instalment based credit.

Since the implementation of Value-Added Tax (VAT) in certain countries, the removal of the high duties has resulted in the decrease in the selling price of consumer goods and by extension, the reliance on credit. However, it is noted that financing activities are still significant. In fact, analysis of the operating results of these distributors would indicate that the level of income derived from financing activities is the comparable to, or in some cases, exceeds the net profit derived from the sale of the goods on a cash basis. In such circumstances, how do we classify the activities of these distributors?

Product integration

One of the challenges of new financial services products is to enable life-cycle wealth management, incorporating:

- Faster capital growth for working-age savers

- Stable and predictable income for retirees

- Wealth transfer capabilities

As a result, one of the product development innovations is to integrate investment products into the traditional life insurance products, usually with a single premium payment. Due to this integration, it may pose some difficulty to classify the life insurance and investment elements of these products.

The IBC dilemma - structure vs. activity

IBCs are characterised by restrictions on ownership[6] and business relationships[7] with residents (individual or corporate) of the jurisdictions in which they are incorporated. These entities form the bedrock of other specialised international financial services. For example, a company will usually be incorporated as an IBC, and then be specifically licensed under other international financial services legislation to conduct banking, insurance, collective investment business, etc.

It is therefore important to recognize that all IBCs do not conduct financial services. In fact, the increasing use of IBC structures to support the distribution of goods, particularly where there are opportunities to leverage on tax treaties has been observed.

3.6 Miscellaneous business, professional and technical services [273]

Definition

In BPM5 this category was one of three that comprised the residual *Other Business Services* category. In EBOPS it has been extended to provide much greater detail broken down by seven groups of services. This is the area of largest extension in service components from BPM5 to

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[6] Residents may not hold shares, except where permissible in a nominee capacity.

[7] IBCs may not hold interest in real property, except for leasing of premises. These entities are prohibited from providing core services to residents.

EBOPS, and it requires the production and revelation of information that was implied in the BPM5 Miscellaneous group where the zero entries for *Business, professional and technical services* were disguised. For many countries, not only in the Caribbean but also in other parts of the world, this is all new territory and a most intractable area for compilers of national accounts and the balance of payments. The category includes seven groups of services:

Group l. Legal, accounting, management consulting
- ❑ Legal services [275]
- ❑ Accounting, auditing, bookkeeping, and tax consultancy services [276]
- ❑ Business management consultancy and public relations services [277]

Group 2. Advertising, market research, and public opinion polling [278]

Group 3. Research and development [279]

Group 4. Architectural, engineering, and other technical services [280]

Group 5. Agriculture, mining and on-site processing services [281]
- ❑ Waste treatment and depollution [282]
- ❑ Agriculture, mining, and other on-site processing services [283]

Group 6. Other business services [284]

Group 7. Services between related enterprises, n.i.e. [285]

Groups 1 and 4 are of particular interest as core sectors in the region. *MSITS* lists the components of each of these services [275,276,277,280] by CPC code.

Points to be noted

In the region there is great interest in the activities of International Business Corporations (IBCs) since they are a significant source of revenue for some governments and private businesses as well. *MSITS* gives little guidance on measurement of this group and country treatment of their transactions varies. In this report the activities are discussed under Group 1 [274].

Business and management services [277] do not include construction project management services. These are classified as *Architectural, engineering, and other technical services* [280].

Sources and Methods

The collection of data on Business, professional and technical services has to be approached through special pilot surveys and occasional surveys in order to build benchmarks of receipts and payments from which annual estimates can be made. The characteristic of the industry group is that legal, accounting, management and engineering services are provided by a number of small enterprises with poor reporting records, and a few large enterprises. Therefore general industry surveys bring little return. One exception is Trinidad and Tobago where a recent survey sent to

large firms providing these services produced favourable response rates on transactions in Group 1 and 2.

Foreign exchange records are no longer a source of information except in Belize. In the approach based on using administrative data sources, the expectation of some is that once the appropriate administrative data sources have been identified, then the information needed would be forthcoming. But here too the experience has been that scant information is available from administrative sources, including tax records where these have been used. Hence the recommendation that pilot surveys are needed to start the process of building data on these services.

Building information on the production or output of the service is the domain of the National Accounts, including information on the breakdown of the service output between domestic and foreign clients. Two areas of data collection effort are involved: (1) a combination of personal interviews, industry surveys and intense follow-up activity to select large accounting firms, large legal firms and large engineering firms; and (2) building estimates of the other suppliers through the work started on pilot surveys. In each case only incomplete information may be received; it then becomes necessary to build the pieces into an estimate.

The *Business Register* is a primary resource necessary for building information on the supply side. The first challenge is to know how many service firms exist and what services they provide; the distribution of service firms by size [less than 5 employees, 5 –10 etc.]; number of firms that are exporting services. The benefit of the register is that it establishes a population, which can be used to extrapolate estimates for a total population from incomplete data sets. Incomplete data sets are likely to be the main source of information on these services for some time to come.

Two sets of pilot surveys should be undertaken: (1) to establish the most effective approach to obtaining information from these sectors and to estimating their income; (2) the follow-up pilot study would aim to establish benchmark estimates on which to build. The study should provide some concrete information on the value of services performed, and ask the respondent to estimate the proportion of revenues derived from domestic and foreign sources. This would not be a survey conducted by the statistical office but an exploratory research study, using willing pilot respondents contacted through service associations and other sources of the researcher.

The work involved in producing these estimates of the business, professional and technical services requires a mixture of ingenuity, statistical estimation and public relations to bring service associations on board in educating their members as to the value of their participation in statistical surveys.

Data from administrative sources already in use:

- Tax administration - VAT   - but records could be two years behind the compiling year.
- Government licensing agencies
- Household surveys
    - Household Income and Expenditure Survey
    - Labour Force Survey

These are better used to estimate income for the small unincorporated businesses, which fall below the threshold of any set of administrative records, and perhaps the cut-off point for the Business Register.

Recommendations

- Countries adopt the definitions of *MSITS* above.
- Establish and maintain a comprehensive Business Register.

- Build estimates in two ways:
    - survey large firms, with direct interviews and intense follow-up
    - commission pilot studies to build benchmark estimates for the other suppliers.

3.6.1 Recommendations regarding treatment of Offshore financial services

A change is recommended in the treatment of Offshore financial services, which will result in a reduction of the current estimate for Financial services [260] and an increase in the estimate for Other business services [268]. Barbados is used as an illustration but the principle is applicable to other countries as well. The box inserts are presented for illustrative purposes. They show the reconstructed estimates, which would result from the suggested approach.

Reconstructing the estimate of Financial Services, Barbados 2002	BDS$ million	
	Credit	Debit
1. **Financial services - Total estimate, published figure**	**140.0**	**11.5**
- Financial services reported in BOP Form 13 [260]	12.0	11.5
- Estimate of Offshore companies' transactions [260]	128.0	0.0
2. **New classification and adjusted estimates for EBOPS**:		
- Financial services [260]	12.0	11.5
- Misc. business, professional, and technical services		
- 9.3.1 Legal, accounting, management consulting [274]	128.0	0.0

Reconstructing the estimates for Other Business Services, Barbados 2002				
New EBOPS classification	Reconstructed estimates		Existing estimates	
	BDS$ million			
	Credit	Debit	Credit	Debit
9. Other business services	**357.2**	**88.4**	**79.3**	**37.5**
9.1 Merchanting and other trade-related services	72.7	26.7	72.7	26.7
9.1.1 Merchanting	...	...	...	...
9.1.2 Other trade-related services	...	...	...	...
9.2 Operational leasing	0.0	0.0	0.0	0.0
9.3 Misc. business, professional, and technical services	284.5	61.7	6.6	10.7

9.3.1 Legal, accounting, management consulting	165.0	26.6		
9.3.1.1 Legal services	90.0[*]	0.0		
9.3.1.2 Accounting services	25.0[*]	0.0		
9.3.1.3 Business & management consultancy	50.0[**]	26.6[***]		
9.3.2 Advertising, market research	6.6	10.7		
9.3.6 Other business services	112.9	24.4		
Total Other business services	357.2	88.4	79.3	37.5
Add: Management fees			37.0	26.6
Miscellaneous			112.9	24.4
Re-classified Offshore financial services			128.0	0.0
Total Other business services	**357.2**	**88.4**	**357.2**	**88.4**

The present credit entry for *Financial services* is composed of two groups of services which are i) commissions and fees loan services, letters of credit, credit card services, etc. [para.3.111], and ii) Offshore companies' transactions. Barbados treats offshore companies as non-resident and their transactions are shown as a credit entry in financial services. The change recommended is as follows: the services provided by residents of Barbados to non-resident offshore companies are in fact not financial services as defined in *MSITS*, but rather consist of legal, accounting and management consulting services, which are in fact business services. It is recommended that the credit entry be re-classified to Miscellaneous business, professional and technical services. An approach to the further breakdown of the estimate can be made by using the proportions: Legal services 70%, Accounting, auditing, bookkeeping and tax consultancy services 20%, and Business and management consultancy fees 10%. This distribution is suggested by the experience in Dominica. It is an estimate and clearly open to discussion and modification.

3.7 Personal, cultural, and recreational services [287]

This is another large group of services, characterized by a large number of small enterprises, and the challenges it poses for measurement both of the output and of trade in these services. In BPM5 the group comprises two subcomponents: Audiovisual and related services [288] which are of little significance in the region, and Other personal, cultural, and recreational services [289] which are of interest. (It is noted that in compilations of the BOP in the region no estimates were made for this group of activities, not even at the most aggregated level; except in Barbados where the source and composition of the small estimate is not clear). EBOPS further extends the subcomponent [289] to distinguish the detail of three subgroups:
  - Education services
  - Health services
  - Other personal, cultural, and recreational services.
MSITS recommends separating Education and Health services since they are important for trade negotiating purposes of GATS. In the Caribbean region all three subgroups of services are highlighted for measurement, as they are identified among the core sectors of interest to the

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[*]   From distribution of Offshore companies' transactions credit of 128.0 on the basis of a 70/20/10 split.
[**] From Offshore financial sector 13.0 + Other sectors 37.0
[***] From Offshore financial sector 0.0 + Other sectors 26.6

region, both for trade purposes as well as for their present and potential capacity to generate income and employment domestically.

3.7.1 Education services [895]

Definition

By definition *Education services* include primary, secondary, university, and technical and vocational services. In practice, they comprise services supplied between residents and non-residents relating to education, such as
- correspondence courses
- education via the Internet
- teachers and others who supply services directly in the reporting economy.

This last category is the main body of activity of interest to the region. It refers to the regional institutions of the University of the West Indies (UWI); other regional colleges; and also to external institutions, namely the activities of the offshore medical schools operating in at least six regional states: Antigua, Belize, Dominica, Grenada, St. Kitts and Saint Lucia.

Compilation issues

One of the first issues to be clarified is the resident or non-resident status of all these institutions in each country. In the countries with a campus the UWI is treated as a resident institution, providing services to both residents and non-residents. Services provided to non-resident students are not included in education services since expenditures of overseas students enrolled at the UWI and other colleges are classified as *Travel* [242], [para. 3.138]. Offshore medical schools should also be treated as resident enterprises according to BPM5 (para. 79), but their categorization as "offshore" warrants them special attention.

3.7.1.1 Treatment of Offshore Medical Schools

The basic objective here is to capture the export earnings for the economy resulting from the activities of these institutions operating within the reporting economy. The following approach is suggested:

- Offshore medical schools, being branches or subsidiaries of non-resident parent institutions, should be classified as resident institutions of the reporting economy, as per BPM5. However, they are not regular resident schools providing services both to the domestic population and to non-residents. The function they carry out is specifically to supply educational services mainly to North American students who cannot gain access to these services in their home country. Their provision of services is therefore of prime interest for balance of payments purposes.

- Transactions between these offshore enterprises and their parent institutions are recorded as balance of payments transactions. Receipts from the parent institution would be a credit entry. On investigation it might be found that such receipts represent transfers from head office to cover the costs of local operations, and that students pay fees directly to the parent institution. On the basis of these assumptions the credit entry would reflect payments by the parent institution to the offshore school for the service they provide of operating the school. However, collecting such information might prove a challenge and necessitate building estimates from other sources, as is done in the case of offshore banks and international business companies.

- Their output of education services can estimated as the sum of their costs of producing the services (SNA93). The estimate could be built as follows:
  - wages and salaries paid to local staff, including teaching staff resident in the country for a year or more
  - rent and utilities
  - taxes and licences paid to government
  - other miscellaneous expenses.
  - operating surplus

- The total value of output produced by the offshore schools will be sold to non-residents, therefore the BOP credit entry.

  - Student expenditures in the country should be included in the *Travel* estimate as Personal travel, Education-related expenditure [242].

Recommendations

Further investigation of the nature of the transactions between the offshore schools and the parent institutions, specifically to determine the source of funds for their operations; whether the parent institution provides funds; whether they supply general management services for which they must be reimbursed; where student fees are paid, etc.

3.7.2 Health Services [896]

Definition

Health services include hospital services, general medical and dental services, laboratory services, and services of nurses, midwives and paramedical personnel provided by resident personnel to non-resident clients. Some of these services can be delivered 'cross-border', for example medical and dental laboratory services. Others represent cases in which the user typically has to travel to another country in order to receive delivery of the service, therefore Mode 2 in terms of GATS modes of supply.

Classification

In classifying the activities of providing these services a decision has to be made as to whether the demand for the service should be allocated to
Group 2.2 Travel: Personal travel [240]
              2.2.1 Travel: Health-related expenditure [241]
              2.2.2 Travel: Education-related expenditure [242]
or
Group 10.7 Personal, cultural, and recreational services [289]
              10.2.1 Education services [895]
              10.2.2 Health services [896]
              10.2.3 Other personal, cultural, and recreational services [897]
The distinction is not always clear at first sight. In both cases from the viewpoint of the compiling Caribbean country, the non-resident has to come in to the country for the transaction to take place. This transaction would be allocated to Mode 2 – consumption abroad. [*MSITS* 3.43]. However, in the definition of Health services *MSITS* notes "Excluded is all expenditure by travelers on education and health (included in *Travel).* [3.138]. Therefore, medical patients and students who spend a year or more abroad remain residents of their home country, and their expenditures in the compiling country are to be treated as Travel expenditures. The issue is discussed in the *Tourism Satellite Account: Methodological References.*

Recommendations

It is recommended that the item compiled at 10.2.2 Health services [896] should comprise medical and dental laboratory type services in which no movement of persons is involved; all health services involving movement of a non-resident client should be compiled as a component of Travel [241].

The major issue of collecting the relevant data remains.

If service providers can make a distinction between services provided on site as opposed to via the Internet or other communications, i.e. laboratory reports, dental repairs, etc., then the estimate for [896] is provided.

3.7.3 Other personal, cultural, and recreational services [897]

Definition

This group of activities is listed in *MSITS* with the corresponding CPC codes. It ranges from catering services, child day-care services, hairdressing and barbers, funeral undertakers, sporting activities including gambling and betting, to performing arts and live entertainment services. Measurement of this last category or core sectors is identified as of particular interest to the region because of the potential for increased activity in trade in this area, and it also involves issues of movement of persons in this capacity both within the region as well as persons external to the region.

Two groups within this large category of activities are of material interest in the region. The first is *live bands, singers and other entertainers*, who sell their service product to both the domestic market and the international market, but who as residents of one country travel to other countries to deliver their service to non-residents there. (In the four GATS modes of supply of a service, this is Mode 4, presence of natural persons.) The second is *gambling and betting services*, which appear to be a rapidly growing recreational service for both resident and non-resident users. Casino services, predominantly operated in hotels and serving largely tourists, are currently deemed part of hotel services and implicitly treated as such, that is in the estimates of *travel* [236] to be identified in the Tourism Satellite Accounts.

Betting services electronically provided to non-resident clients present another difficult area to unravel. It could be argued that they are part of #897, a payment for a service. It has also been claimed that a significant portion of personal money transfers in reality represents flows for transactions in gambling services. Such flows now appear as Personal Transfers – a transfer item, and therefore not a service transaction at all in the balance of payments. The answer to the question of whether gambling and betting transactions are in fact wrapped up in personal transfers can only be answered by specific investigation. Because of the noticeable growth of gambling and betting activities in the region, it is recommended that specific research on these services be undertaken, in order to shed light on the manner in which these services are provided and the methods of payment.

Compilation and data sources

This is again unchartered territory and the process in developing these statistics is one of estimation rather than compilation of data, a gradual process requiring considerable ingenuity in piecing together bits of data gathered from a variety of sources.

This sub-group of entertainers consists of a relatively small number of self-employed business units, and the first task is to register their very existence, to establish the universe. Here the methods used for the Business Register come into play, e.g. the population Census, household income and expenditure surveys, VAT records. However, the cut-off point used for the register of establishments may exclude these persons from the main register.

The actual gathering of information on the flows involved in the entertainment activities of these self-employed enterprises needs to be approached first as a research exercise, a specific commissioned study which would marshal data about the nature of the business, based on information currently available. The study would explore some participants such as an events promoter, in order to construct benchmarks of components of receipts and payments of the business. Such a study would provide the BOP compiler with some details of the service transactions – sales, costs, markets. These benchmark studies would then be used as building blocks to build estimates for a country, based on the size of the universe there.

Benchmark studies should be undertaken as a collaborative exercise in the region, and all countries need not, and in the interest of costs, should not conduct the same research studies. Information gathered in one country study should be made known to others who could then use it

as reference on which to build. Unfortunately, this appears not to be the practice now; unless a study is actually published there is no systematic way in which the information is shared. For example, the study *The entertainment Sector of Trinidad and Tobago – implementing an export strategy* by Ralph Henry and Keith Nurse was a step in a positive direction. It was prepared for the Trinidad Industrial Development Corporation (TIDCO) and published in September 1996. There probably have been other studies done that would provide additional information; but in order for such studies to become the necessary building blocks in the statistical process, those who commission various research studies – government departments, institutions and corporations – have to be willing to share information gathered on, rather than limiting their usefulness by the restrictive and stifling classification "confidential" report.

Measurement of the performing arts and live entertainment services for the balance of payments is therefore a three-step process: first is the recording of the existence of the self-employed enterprise; the second, benchmark studies commissioned to produce some basic data about the nature of the activity and transactions; and the third, BOP compilers use of the first two steps to extrapolate and build annual estimates for these service activities.

Recommendations

Developing the statistics of trade in Personal, cultural and recreational services is not an overnight process. Where it has not already begun, a start can be made immediately with the registering of participants in this field, as part of developing the register of businesses. The same applies in the Business and professional services.   Ideally, administrative and financial arrangements for the commissioning of pilot studies or benchmark studies must also be activated now. These studies of a research nature could more readily fit into the portfolio of the research department of the central banks; it is not realistic to see them as part of the regular work of the statistical offices, unless there is a large infusion of funds to create such facilities. Therefore, this is another area for collaboration between the two institutions: the statistical office taking responsibility for registering the enterprises and the central bank taking responsibility for getting the benchmark studies done. Both institutions benefit and advance the output of statistics of production and trade in services.

ANNEX I – EBOPS classification

Extended Balance of Payments Services Classification (EBOPS)
reproduced from Annex II of the *Manual on Statistics of International Trade in services*

	BPM5 standard components	BPM5 supplementary items	BPM5 memorandum items	Joint Classification components	Internationally accepted codes
Component					
1 Transportation	X			X	205
1.1 Sea transport	X			X	206
1.1.1 Passenger	X			X	207
1.1.2 Freight	X			X	208
1.1.3 Other	X			X	209
1.2 Air transport	X			X	210
1.2.1 Passenger	X			X	211
1.2.2 Freight	X			X	212
1.2.3 Other	X			X	213
1.3 Other transport	X				214
1.3.1 Passenger	X				215
1.3.2 Freight	X				216
1.3.3 Other	X				217
Extended classification of other transport					
1.4 Space transport				X	218
1.5 Rail transport				X	219
1.5.1 Passenger				X	220
1.5.2 Freight				X	221
1.5.3 Other				X	222
1.6 Road transport				X	223
1.6.1 Passenger				X	224
1.6.2 Freight				X	225
1.6.3 Other				X	226
1.7 Inland waterway transport				X	227
1.7.1 Passenger				X	228
1.7.2 Freight				X	229
1.7.3 Other				X	230
1.8 Pipeline transport & electricity transmission				X	231
1.9 Other supporting and auxiliary transport services				X	232
2 Travel	X			X	236
2.1 Business travel	X			X	237
2.1.1 Expenditure by seasonal and border workers				X	238
2.1.2 Other				X	239
2.2 Personal travel	X			X	240
2.2.1 Health-related expenditure		X		X	241
2.2.2 Education-related expenditure		X		X	242
2.2.3 Other		X		X	243
3 Communications services	X			X	245
3.1 Postal and courier services				X	246
3.2 Telecommunications services				X	247
4 Construction services	X				249
4.1 Construction abroad				X	250
4.2 Construction in the reporting economy				X	251

	BPM5 standard components	BPM5 supplementary items	*BPM5* memorandum items	Joint Classification components	Internationally accepted codes
5 Insurance services	X			X	253
5.1 Life insurance and pension funding				X	254
5.2 Freight insurance				X	255
5.3 Other direct insurance				X	256
5.4 Reinsurance				X	257
5.5 Auxiliary services				X	258
6 Financial services	X			X	260
7 Computer and information services	X			X	262
7.1 Computer services				X	263
7.2 Information services				X	264
7.2.1 News agency services					889
7.2.2 Other information provision services					890
8 Royalties and license fees	X			X	266
8.1 Franchises and similar rights					891
8.2 Other royalties and license fees					892
9 Other business services	X			X	268
9.1 Merchanting and other trade-related services	X			X	269
9.1.1 Merchanting				X	270
9.1.2 Other trade-related services				X	271
9.2 Operational leasing services	X			X	272
9.3 Miscellaneous business, professional, and technical services	X			X	273
9.3.1 Legal, accounting, management consulting, and public relations		X		X	274
9.3.1.1 Legal services				X	275
9.3.1.2 Accounting, auditing, bookkeeping, and tax consultancy services				X	276
9.3.1.3 Business & management consultancy and public relations services				X	277
9.3.2 Advertising, market research, and public opinion polling		X		X	278
9.3.3 Research and development		X		X	279
9.3.4 Architectural, engineering, and other technical services		X		X	280
9.3.5 Agriculture, mining, and on-site processing services		X		X	281
9.3.5.1 Waste treatment and depollution				X	282
9.3.5.2 Agriculture, mining, and other on-site processing				X	283
9.3.6 Other business services		X		X	284
9.3.7 Services between related enterprises, n.i.e.				X	285
10 Personal, cultural, and recreational services	X			X	287
10.1 Audiovisual and related services	X			X	288
10.2 Other personal, cultural, and recreational services	X			X	289
10.2.1 Education services					895
10.2.2 Health services					896
10.2.3 Other personal, cultural, and recreational services					897
11 Government services, n.i.e.	X			X	291
11.1 Embassies and consulates				X	292
11.2 Military units and agencies				X	293
11.3 Other				X	294

Memorandum items

	BPM5 standard supplementary component:	BPM5 items	BPM5 memorandum items	Joint Classification components	Internationally accepted codes
1 Freight transportation on merchandise, valued on a transaction basis				X	853
1.1 Sea freight				X	856
1.2 Air freight				X	857
1.3 Other freight				X	858
1.4 Space freight					862
1.5 Rail freight					863
1.6 Road freight				X	864
1.7 Inland waterways freight					865
1.8 Pipeline freight					868
2 Travel					
2.1 Expenditure on goods					
2.2 Expenditure on accommodation and food and beverage serving services				X	
2.3 All other travel expenditure					
3 Gross insurance premiums			X	X	874
3.1 Gross premiums-life insurance					875
3.2 Gross premiums-freight insurance					876
3.3 Gross premiums-other direct insurance					877
4 Gross insurance claims			X	X	879
4.1 Gross claims-life insurance					880
4.2 Gross claims-freight insurance					881
4.3 Gross claims-other direct insurance					882
5 Financial intermediation services indirectly measured (FISIM)					887
6 Financial services including FISIM					888
7 Merchanting gross flows				X	893
8[a] Audiovisual transactions					894

[a]This item consists of a range of services and other transactions relating to audiovisual activities.   Included are services that may be included in either *audiovisual services* or *royalties and license fees,* and also the acquisition and disposal of non-produced, non-financial assets relating to audiovisual activities, such as patents, copyrights, trademarks, and franchises.

4.0   CARICOM CLASSIFICATIONS FOR TRADE IN SERVICES

The following is an outline of the issues and recommendations discussed in the Consultant's report. Compilers should refer to the full report and classification schedules which are presented in the Annex – Reports of Consultants.

4.1 Approach to classifications and specification

Three reference classifications for the region are provided based on three international classification systems that are most central to trade in services, namely EBOPS, GATS and ISIC. EBOPS, the Extended Balance of Payments Services classification, is the extension of the transaction components in the Balance of Payments Manual, fifth edition. The detailed schedule CCEBOPS, is the Caribbean Community version of EBOPS; it is recommended for use in compiling and reporting transactions in services.

The GATS classification (GNS/W/120) is a legal classification of services sectors. It is used by trade negotiators for legal purposes, such as the GATS agreements or in the CSME negotiations of the Caribbean Community. ICFA/ISIC is used in reporting FATS statistics; accordingly, ISIC Categories for Foreign Affiliates is the desired level of disaggregation in reporting these statistics. Another classification, the Central Product Classification (CPC) is used to define basic EBOPS components, and to link the EBOPS classification with the GATS.

4.2 Statistical notes and sectoral recommendations

Statistical notes refer to the specification of all the CARICOM core categories. They provide additional recommended breakouts or alternative groupings. A selection is outlined below including those services and breakouts in which particular interest was expressed at the Regional Workshop held in Barbados.

Cargo handling: would be compiled at #232, (the category for Supporting services to all transportation) but for most presentation purposes would appear in primary breakout #217.

Yacht repairs: The practical treatment recommended here is to compile repairs to transportation equipment using CPC definitions, but to designate the values as CARICOM memo items under the three primary modes of transport, and footnote the inclusion of any large capital repairs otherwise classifiable under Goods. Thus in the CCEBOPS schedule, Yacht/small craft repairs, and other marine repairs are each memo items under Other sea transport of #209

Travel and Tourism: to reflect regional importance, three further breakouts are suggested of the 'All other travel expenditures' category (EBOPS #871):

1. Travel agency, tour operators and guide services, now part of Other business services [284]
2. Expenditure on entertainment services [897]
3. Expenditure on sporting and recreational service [897], which includes gambling and casino operations.

Computer and information services: For the next BOP manual the proposed classification would combine EBOPS Communications, with Computer and information services into a new Information technology services group. The new total would be broken out in three ways: Computer services, Internet provision services, and Other information provision services.

Construction: In light of complexities in implementation, no further breakout is suggested at this time. No single operating practice for CARICOM countries is suggested at this time for recording construction abroad and construction in the compiling economy as proposed in *MSITS*. Nevertheless, those countries, which can proceed to a further breakout, are encouraged to state their treatment in doing so.

Financial services (excluding Insurance) [260]: Upcoming revisions to BOP services will likely recommend adding these Financial Intermediation Services Indirectly Measured (FISIM) into Financial services, where they are defined but not yet quantified. This step would mean greater consistency between the levels of services now measured in the BOP and in the National Accounts where FISIM is progressively being included.

A further breakout of Non-insurance financial services should be explored for future compilation and reporting. Money transfer services are included in the definition of Financial services. They are one of the many supporting services covered under the existing definition of this category.

Other business services [284]: It is suggested that Security services and Real estate services be identified for compilation.

5.0   COMPILATION OF FOREIGN DIRECT INVESTMENT DATA AND FOREIGN AFFILIATES TRADE IN SERVICES STATISTICS[8]

5.1 Background

Some CARICOM Member States have done preliminary work on compiling establishment lists for FDI and FATS, and the compilation of statistics on FDI flows and FATS variables, during the current project, with technical assistance from the visiting team. In Member States, which were not visited during the project, work has not yet started.

Detailed guidance is given on the compilation of statistics on FATS variables, with reference to sources and methodology.

Definitions

Direct investment is the category of international investment that reflects the objective by a resident entity in one economy (that is the direct investor) to obtain a lasting interest in an enterprise (that is the direct investment enterprise) resident in another economy. The phrase

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[8] Lucilla Lewis, Regional Consultant, prepared this section of the Common Guidelines.

'lasting interest' implies the existence of a long-term relationship between the direct investor and the enterprise and a significant degree of influence on the management of the enterprise.

Importantly, direct investment comprises not only the initial investment transaction between the investor and the enterprise, but also all subsequent transactions between them and among affiliated enterprises.

A *direct investment enterprise* is an associate, subsidiary or branch operating in a country other than the direct investor's country of residence.

For statistical purposes, a direct investment enterprise, however, is defined as an incorporated or unincorporated enterprise in which a direct investor, who is resident in another economy, owns 10% or more of the ordinary shares or voting power of an incorporated enterprise, or the equivalent in an unincorporated enterprise. Above this 10% foreign ownership threshold direct investment enterprises comprise, **associate**s that is 10% to 50% foreign ownership, **subsidiaries** that is more than 50% foreign ownership, and **branches** that is 100% foreign ownership of unincorporated enterprises (whether wholly or jointly owned)[9].

A *foreign direct investor* is an individual, an incorporated or unincorporated public or private enterprise, a government a group of related individuals or a group of related incorporated and/or unincorporated enterprises that have invested in a direct investment enterprise.

Enterprises with more than 50% foreign ownership, that is subsidiaries and branches, which are primarily engaged in the production of services outside the investor's economy are classified as *Foreign Affiliate Trade in Services (FATS)* enterprises.

5.2 Identifying FDI and FATS enterprises

Maintaining a comprehensive central register of establishments is the first step. From this register the list of FDI and FATS enterprises, or any other subset of establishments can be generated. If the central register of establishment is still at an early stage of development it will not generate a comprehensive enough list of FDI enterprises and in this case other approaches will have to be used.

A recommended second best approach is through the BOP business register.
Starting with the BOP register of FDI enterprises a comparison should be made with the survey establishments register maintained by the National Accounts compilers to ensure that all companies presented on this register, as more than 10% foreign owned, are on the FDI establishment register.

It may turn out that some FDI enterprises are not on the BOP register. This could the case for several reasons including:

➢ The BOP survey forms may not be sent to FDI enterprises, which do not transact with non-residents. E.g. in some cases FDI enterprise involved in wholesale and retail trading activity in the domestic market are not surveyed by BOP compilers, and therefore would

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[9] See Box 7 on page 55 of MSITS

not be on the BOP survey register. (This raises the issue of under-coverage of FDI income and investment flows in the economy, if this information is not sourced from other records or administrative sources for the BOP).

➢ Insufficient collaboration on an ongoing basis between the national accounts compilers and the BOP compilers.

Companies listed on the central register of establishments for the national accounts with more than 10% foreign ownership, should be added to the register of FDI enterprises.

The register of establishments should generate an exhaustive list for FDI enterprises, if it is updated on an ongoing basis and is well maintained.

The Trinidad & Tobago register of establishments has a fairly comprehensive format, which could be adopted. The field descriptions for the register are given on page 61, Appendix I.

Recommended template

The following is a recommended template for the register of establishments for FDI enterprises.

Enterprise Name	% of Foreign Ownership	Country of Ultimate Beneficial Owner	Industry activity Codes (ICFA)	Goods and Services product Codes (CPC)
ABC Company				
Exotics Ltd.				
General Services				

Given the definitions above of FDI and FATS enterprises it follows that the register of FATS enterprises is merely a subset of the register of FDI enterprises, listing all FDI enterprises with over 50% foreign ownership, that is subsidiaries and branches. The FATS establishments register can therefore be generated from the FDI establishments register.

5.3 Summary of steps for compiling the Register of FDI Enterprises

1. The best option is to generate the FDI Register of Enterprises from the Business Register of the Statistics Department, if that register is updated on an ongoing basis and is well maintained.
2. The second best option is to start with the BOP register of FDI enterprises and expand it to capture other foreign controlled establishments on the BOP register which are not listed as FDI enterprises but are listed in other sectors, say foreign airlines, oil importing companies etc. Maintenance of that list would also require ongoing contact with agencies like the tourist board, hotel associations, investment promotion agencies, producers associations, Government licensing and official agencies. To facilitate this process, formal inter-agency committees could be formed.

5.4 Compilation of statistics on FDI flows: Sources and Methodology

The statistics to be compiled comprise the following:

1. Direct Investment Income
   This category captures income on equity and debt and is reported on a net basis.
    It is broken down as follows:
   > Distributed Income, which is dividends and distributed profits
   > Reinvested earnings and undistributed branch profits
   > Interest on debt
2. Direct Investment Financial Transactions. It is broken down into:
   > Equity capital
   > Reinvested Earnings
   > Other Capital, which captures inter-company debt transactions, other loan

financing, etc.
3. Direct Investment Stock or position measures the value of the stock of direct investment at the end of the reference period.

The primary data source would be the BOP survey forms and BOP data from administrative records for enterprises listed as FDI enterprises on the BOP establishments register. This assumes a comprehensive and well maintained FDI register in collaboration with the National Accounts compilers and central business register.

In ECCB member countries for example, data for hotels, which are FDI enterprises, and Oil Importing companies, which are FDI enterprises, will be captured from their respective survey forms.

In the case of direct investment enterprises involved in the wholesale and retail trade sectors, and not currently surveyed for the BOP data estimates will have to be made.

Secondary sources which can be used as references for data on FDI flows for member countries include the *Balance of Payments Statistical Yearbook*, and *International Financial Statistics* both published by the IMF.

5.5 Compilation of statistics on FATS variables: Sources and Methodology

Priority variables
1. Sales (turnover) and/or Output
2. Employment
3. Value Added
4. Exports and Imports of Goods
5. Exports and Imports of Services
6. Number of Enterprises

Other variables
7. Assets
8. Compensation of Employees
9. Net Worth
10. Net Operating Surplus
11. Gross Fixed Capital formation
12. Taxes on Income
13. Research and Development Expenditure

Inward FATS enterprises are Foreign Affiliates (subsidiaries and branches) resident in the compiling economy that are controlled by direct investors in another economy.

With the exception of exports and imports of goods and services, the other variables can be obtained or calculated from the National Accounts worksheets and national accounts survey forms for all member countries.

Data on exports and imports of goods are easily generated for each enterprise from the trade database, while data on exports and imports of services can be obtained from the BOP database.

FATS statistics are to be presented by ISIC Categories for Foreign Affiliates (ICFA) categories, and the recommended presentation format is illustrated in the *Manual on Statistics of International Trade in Services* (*MSITS*), Table 4, p.67.

Outward FATS enterprises are Foreign Affiliates (subsidiaries and branches) controlled by direct investors in the compiling economy that are resident in another economy.

The best approach for compiling statistics on outward FATS variables for the CARICOM region is by a review of FATS statistics for all CARICOM member countries. This information can be accessed through the CARICOM statistical database on trade in services.

Similarly, the database of international agencies and extra-regional countries on trade in services could be a source of data on outward FATS.

These data are otherwise difficult to source.

It is worth repeating that the primary step to compilation of statistics on FDI income flows, equity stock and FATS variables, is the maintenance of a comprehensive register of FDI enterprises.

6.0   SURVEYS, SAMPLING, AND ESTIMATION

In this section, excerpts from the consultant's report are presented. Readers should refer to the full report in the Annex – "Guide for Surveys, Sampling, and Estimation".

6.1 Summary

Statistics for trade in the region have to be comparable in terms of their concepts, but also in the quality and validity of the estimates. Efforts have to be made to harmonize sampling procedures. In this area, National Accounts and BOP use information from several sources of data:

1. Surveys of enterprises and establishments;
2. Household Surveys, such as the Labor Force Survey and the Income and Expenditure Survey;
3. Surveys of people, such as Survey of Foreign Students and Exit Surveys of Foreign Visitors;
4. Census (Population, economic, agricultural);
5. International transactions reporting systems;
6. Administrative and Official data and;
7. Information obtained from partner countries and international organizations.

A) Surveys of Establishments

Surveys of establishments have important gaps that have to be improved with regard to the following issues:
1) sampling frames are deficient;
2) non-response rates are extremely high;
3) too many questionnaires are being used and different data collected;
4) sample size is not calculated based on statistical requirements;
5) samples do not always follows the basic statistical rules;
6) precision of estimates are not calculated.

Therefore, any estimate for the population will be equal to the sample estimate + an error, and we do not know the size and the behavior of this error.

A good survey differs from a bad one if errors are under control and their relative magnitude can be ascertained. Therefore, the goal is to reduce sampling errors and sampling biases but without increasing substantially the cost of the surveys.

Next, we focused the discussions in the following six areas:

1. How to improve the sampling frame including stratification
2. The identification of sectors or activities that require sampling
3. How to improve the response rate and reduce the number of cases requiring imputations or in which the owner of the business gives approximate data instead of reporting accounting figures
4. A process for reviewing questionnaires
5. "Short cuts" to be avoided in data collection procedures
6. How to use proper estimation techniques and improve other sources of data

1) Sampling frame

A list of establishments is not necessarily a useful sampling frame. It was recommended to use several lists of establishments, such as administrative records from the Social Security, The VAT system, Chamber of Commerce, Professional Services, Marketing Associations, telephone book, and others, and to CREATE A DATABASE with the list of establishments and with enough information to be able to improve sample selection and to control for non-response:
1) Serial number;
2) Industry type and sector;
3) Geographical codes & Enumeration district (Census data);
4) Number of employees or codes;
5) Year began operation, year data collected and year out of operation if applicable;
6) Active or inactive;
7) Type of legal ownership: a) Individual Proprietorship; b) Partnership; c) Private Limited Liability Co/Registered Co; d) Public Limited Liability Co; e) Government; f) Co-operative; g) Foreign Co. operating unincorporated branch in the country; h) Any other type;

8) Source of data;
9) Other useful information.

Trinidad & Tobago is a good example, where they have a complete list, and also they send a questionnaire to the establishments once every year or contact them by phone or e-mail to update the registration.

With this database, we can stratify the list of establishments by sector and by size in terms of the number of employees. Stratification will help us to:

1. Improve accuracy of data
2. Include with certainty those establishments that account for 60% to 80% of the income or revenues of that economic sector
3. Develop a "must" list of the largest establishments. Then we can have intensive follow-up procedures to obtain responses
4. Check for sampling procedures with small establishments
5. Decide different selection procedures per strata, for example, doing or not doing sampling in one or the two strata; the use of different sampling fractions per strata; the use of different sampling procedures, probabilistic and non-probabilistic; cut-off method.

It was recommended also to keep the establishments that are out of operation during the study, and to have a control in the databases, that identifies "active" and "non-active" establishments.

2) Sectors that require no sampling

There are going to be sectors with a very small number of establishments, and where sampling is consequently not needed.

3) Response rates

A mail questionnaire is the quickest and least expensive of the methods of collecting information and it appears to be a convenient vehicle for collecting information on establishments. However, the method results in high non-response rates.

To be able to have a participative strategy to solve this problem, it was important to discuss the reasons for non-response. We classified the discussion in 3 areas:

1. The area of the persons who have to provide the information, and we analyze some motivation strategies, such as, One-to-one contact; to assure confidentiality in the data they provide; to give something that interests them, for example, to share study findings; to have legal support with some penalties.
2. The area of the person who decides the procedures for data collection; and we discuss the idea of designing the study with a "client perspective", meaning that we must understand the capacity and the information systems they use to manage the organization.
3. The instruments and procedures we use to collect data, meaning the content of the questionnaires we are using, the sampling approach and the field work. It is important to say that organizations need to have enough resources to do the job.

We start analyzing the problem by separating non-response and non-interview. Non-response is related to refusal, they cannot provide the information, or the document was lost. Non-interview has to do with establishments out of operation, it is a branch, not located, it is duplicated in the list, and is not an establishment. However, still non-response is greater than 30% in almost all the countries, and when they reported less this is because they are replacing non-response with other establishments.

The main goal is to stabilize response rates in all types of surveys. We can use several approaches, for instance, combining mail survey with interviews, telephone calls, one-to-one communication, reminders, a gift. Field visits have demonstrated significant decreases in non-response; it is better to have a good annual survey with less than 30% non-response, than four quarterly surveys with this amount of non-response. In addition, a control format was presented, prepared in EXCEL for non-response; and also recommendations on how to treat the non-response, such as duplicating information from previous survey, changing weights for extrapolation, using sub sampling.

4) Questionnaires

At present, countries are using different questionnaires and also different content for data collection. For BOP, Barbados uses 8 forms; St Kitts, St Vincent, Grenada, Antigua, Dominica, Antigua, Dominica, Montserrat, Anguilla, 17 forms; Belize, 18 forms; Trinidad, 16 forms.

For National Accounts St Kitts uses 10 forms; Belize 4 forms; Trinidad 4 forms; St Lucia 2 forms; Barbados 5 forms.

An EXCEL table was prepared comparing content of different forms used in those countries as a basis to prepare prototype questionnaires. Before designing prototype questionnaire(s) it is vital to understand the information that is needed, the format of the outputs required and the disaggregating level, the environment in which the survey will be implemented. For this work, the Trinidad & Tobago questionnaires used for National Accounts can be used as best practice; they can be compared with the current information collected in other countries. Same work has to be performed for the BOP forms.

5) Sampling Procedures

For sampling purposes, decisions have to be made in the following areas:

1. Probability or non-probability sample. The first idea in mind is to consider the possibility of installing a formal probability sample in which each establishment will have a known chance of selection.
2. Selecting large establishments or the method of cutoff is obviously biased, inasmuch as the sample does not reflect the change of the smaller establishments. The argument favoring the use of this method is the extremely skewed distributions and the possibility that a small establishment remains constant over time. Unfortunately for the method, a prompt and accurate measurement of sharp changes is often the major objective of such surveys, and during periods of violent changes, misleading results will be obtained.
3. Sample for activities with small number of establishments. The number of establishments is an important fact for small economies were population size per activity is very modest and there is no point in making a rigorous sampling selection within specific activities. Exercise was presented for some countries.
4. Sample size has been defined using simple judgment. It has to be defined in technical terms as well as minimal useful sample size. A researcher must decide in advance how much information will be extrapolated from the data to determine either the size of the sample needed or the level of accuracy of the information obtained. A practical guide was provided for calculating sample size.
5. Sample structure and stratification. When establishments are stratified by size, the distribution obtained is highly skew; that is, the relative contribution of small establishments to value added is very low. Grouping similar establishments by forming strata by number of employees is a basic principle stating that will increase the efficiency of the sample by reducing the standard deviation of the estimates. Stratification also will improve response rate and give an option for treatment of non-response, but at the same time requires the use of the appropriate weighting estimation procedure. We can use a proxy indicator (number of employees engaged) that we assume to be correlated with the indicators we are using for the National Account and Balance of Payments.
6. Selection procedure. Examples were presented using equal probability and probability proportional to size.
7. Combination of sampling approaches. Same general rules can be applied to the sampling process, but different types of approaches can be performed per activity and per strata.

6) Sample Estimation

If sample selection is based on the theory of probability, then the probability of selection has to be used to estimate the results. Direct estimates are referred to the sample estimates and the right extrapolation procedures that have to be used, and Estimates have to be comparable among different surveys over time; some type of transactions may be estimated from more than one source of data. We can use the information to: a) cross-check individual establishment data and global results for some activities; b) improve non-response; c) do imputations of missing data; The quality of data may be improved by reducing the number of cases requiring imputations, but anyhow, a control of imputations have to be put in place. Imputations can be done by: a) Using data for that establishment from previous survey; b) Using data from other sources for the establishment; c) Calculating averages of group of similar establishments

When a sample is used, sample precision for the particular estimate has to be calculated. A computer format was presented with the formulas to calculate sample precision, relative standard deviation and 95% confidence level interval. An EXCEL format was prepared for this purpose.

B) Survey of foreign visitors

Another important survey is the exit surveys for calculating expenditures of tourists based on international arrivals and expenditures. Although the questionnaire is pretty well designed, use of the results is limited because they use a purposive sampling with limited quality control in relation to sampling conditions.

C) Household Surveys

Countries have regular multipurpose household surveys designed with a primary objective to provide up-to-date data on the labor force and also in other subjects of interest on a continual basis. The surveys have been subjected to a series of revisions and international technical assistant is provided with some regularity. In 4 out of 5 countries, last revision was based on data derived from the 1990 census.

Sample surveys are based on a stratified cluster design in which clusters are households and enumeration districts and usually they use a self-weighted estimator and they have sub samples to be used for the rotation panel. Population estimates are used as ratio estimators.

For expenditure surveys, Saint Lucia is planning an expenditure survey for 2005 called Standard of Living Survey; Trinidad & Tobago survey comprises 2,717 households spread across all administrative areas. Two survey instruments were used: a) a questionnaire covering such areas as demographic and socio-economic characteristics, expenditures on accommodation, additions & repairs, furniture, furnishings, household equipment, household operation, home grown produce, clothing & footwear, personal & selected services, transportation, vehicle maintenance & repair, other expenses, other disbursements, income & other receipts; and b) a diary to be able to recorded daily expenditures over 14 days period. In Belize, the last survey was conducted during 1991.

7.0   USING INFORMATION TECHNOLOGY TO ENHANCE BOP COMPILATION

This section represents excerpts from the report of the IT Consultant. Readers should refer to the more detailed discussions of the issues, technical descriptions such as the Proposed System Design and the recommendations on implementation, which are given in the full report of the Consultant. This is presented in the Annex – Reports of Consultants.

From an IT standpoint the issue that appears to impact most significantly on the quality of the data BOP statistics generated relates to the general poor quality of the Establishment Register. The Central Statistical Office, Trinidad and Tobago, has developed an Access database of registered companies, which, though not fully comprehensive in terms of content, suggests the path that should be taken by other territories.

7.1 Automation of questionnaires

With respect to automation of the survey forms, the questionnaire is arguably the most significant starting point in designing a common system for producing trade in services statistics. The entire database schema is informed by the questionnaires. The success of the CEBOPS system can be attributed primarily to the fact that all OECS territories utilise the same BOP questionnaires.

One critical prerequisite for developing a functional computerised system for this project is therefore standardising the questionnaires used by member states. While there is the recognition that this initiative is by no means a simple task, it requires special attention generally and more specifically with regards to its implication for leveraging information technology.

Among the areas requiring immediate attention if the IT system is to be successfully implemented are:

- An acceptable level of standardisation of the questionnaires used across the various countries.

- Standardisation of the classifications system used by member states.

- Finalising the proposed classification system and agreement on the treatment of potentially contentious items.

It was suggested that the survey form could be distributed in a format that would facilitate electronic completion and submission. This request is indeed reasonable given the availability of appropriate technologies to satisfy this requirement. The design of the proposed system will therefore give consideration to the integrating e-Forms technologies that will assist in the automatic posting of data to the database without requiring manual data entry.

7.2 Proposed System Design

Technical details of the Design Framework are presented, and the key functional requirements, as well as hardware and software and personnel requirements.

7.3 Required modification for generating EBOPS statistics

The CEBOPS system in use in the OECS requires modification for generating statistics of trade in services based on the EBOPS classification. In its present configuration the CEBOPS worksheets have been used to manually generate EBOPS tables for the countries studied. CEBOPS provides an excellent tool for generating standard BOP statistics. However, the present proposal requires the generation of EBOPS statistics, which are collated and presented in a different format from the BOP tables based on a defined classification system.

Given that the ECCB is about to embark on a redesign of the CEBOPS application, there is an excellent opportunity for the CARICOM Secretariat to liaise with the appropriate personnel responsible for this activity to ensure that some of the key requirements of the new system can be brought to bear on the project.

The key challenge the current exercise faces is not one directly related to Information Technology but relates more specifically to the subject of harmonization. That is, the classification of methods and procedures for data collection and processing that are compatible with each other. To the extent that some level of harmonisation can be achieved, the IT component will indeed be a relatively simpler exercise.

8.0   STATISTICAL NEEDS OF USERS [10]

This section gives an overview of the main categories of data user, indicates their chief analytical needs and lists the principal statistical tools they are likely to use for data related to the wide range of modern services. Official statistics need to be relevant to these needs, be reliable and disseminated in a timely way. Further, whether dealing with the contribution to total output and employment or trade in services, statistics of the services sector need to be consistent, comparable over time and comparable both within regions and internationally.

A review of the analytical needs of major institutional users is presented as follows:

1. **Central Banks** execute monetary policy and some are set inflation targets to maintain currency stability.

> Analysis is mostly at the macro-economic level, needing: price indicators, and short-term indicators related to output and demand, such as retail sales and exports; employment numbers and labour costs, and trade/BOP information.

> Note: at the request of central banks, OECD is studying further short-term indicators and is preparing a manual on Index of Services Production, which should be completed by the end of 2005. OECD and Eurostat are working on Services Prices in short-term statistics, as are other groups.

> Tools: national accounts; business registers, classifications, monthly, quarterly and annual business surveys; services prices and volumes; structural indicators including those for services output and productivity; balance of payments.

2. **Ministries of Finance** are responsible for macro-economic and fiscal policy.

> Analysts use indicators of long-term competitiveness, such as sectoral productivity indicators, which reveal the drivers of growth and investment, and attractiveness to foreign investors, including for the offshore financial sector.

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[10] Julian Arkell, Senior Consultant prepared this section of the report.

Tools: national accounts; business registers, classifications, quarterly and annual business surveys; services prices and volumes; short-term indicators of services output, productivity indicators; balance of payments.

3. **National accountants** are key and influential users of services statistics, as well as being producers.

Analysts' needs are for measuring services output to assess the structure of the economy, and short-term indicators for projections. The output data should be for service enterprises, including any significant non-market and non-profit services activities.

National accountants call for more appropriate and precise deflators of services output for constituting the national accounts; they see assessments of productivity growth as a high priority.

Tools: national accounts, business registers, classifications, monthly, quarterly and annual business surveys, services prices and volumes, indicators of services output and productivity.

4. **Trade Ministries** and their analysts and negotiators use trade data to inform the negotiations and monitor agreements, such as the GATS, CSME, FTAA and bilateral accords. Many GATS specific commitments are related to the GNS /W/120 sectoral list of 1991, and this has to be taken into account despite being outdated in a number of sectors.

Analysis is on data of exports and imports, access to markets through commercial presence and the presence of natural persons. Data are used on FDI and the activities of affiliates abroad owned by their nationals, and foreign affiliates in their own jurisdiction. The data has to be disaggregated into priority sectors and it is essential that domestic data be internationally comparable.

Tools: business registers; bank settlement systems; business surveys and household surveys; trade in services statistics, FDI, FATS, movement of natural persons; remittances; ICT statistics; migration statistics.

5. **Ministries of Industry** (or Enterprise, Business etc) consider detailed sectoral data.

Analysis is at the level of micro-economic data to indicate the workings of the economy and to assess the dynamics and obstacles to growth, as well as international competitiveness and attractiveness to FDI. In addition the performance of SMEs, a majority of which are services producers, is crucial to assess the potential for growth. Data is sought on productivity, labour costs, measures of human capital, skills, innovation, research and development, science and technology, the information society and ICT statistics, and possibly on other

dynamic growth areas such as biotechnology, professional and business services and so on.

The decision making of policy makers and enterprises is currently hampered because the data, particularly on new start-ups, do not fully reflect the scale of these sectors and their economic importance, especially for the knowledge-intensive services. In most countries the outputs of these services are not well valued, and there is insufficient information on intangible assets.

The core sectors principally concerned are: transport, tourism, communications, construction, financial services, ICT, professional and business services, cultural services and distribution. Attention should be focused on the basic infrastructure of business statistics, such as business registers, units, classifications, definition of variables, and firm-level data bearing in mind issues of international comparability.

Tools: national accounts; business registers; classifications, annual business surveys; trade in services, FATS statistics, FDI; statistics on ICT and knowledge-intensive services; R&D statistics; labour force surveys; and for productivity analysis, also capital and employment surveys, services prices and volumes.

6. **Ministries of Labour**

Analysis is at the macro and sector levels, for monitoring employment levels, unemployment, worker participation rates, gender disparities by sector and age groups, labour costs, productivity trends, human/capital ratios, voluntary work unpaid work, informal economic activities and many other related issues.

Tools: business registers, business surveys, household surveys of employment for labour force statistics, wage indices, hours worked, education, skill and qualification levels.

7. **Other Ministries and regulators**

In general, improvements in the data noted above require good cooperation between the relevant government institutions. The development of cross-cutting policies on sustainable development, environmental issues, human and social capital, research and development all require information on services.

Many services are regulated and the regulators and supervisors, whether ministries or independent authorities, need the domestic data and need to compare this with internationally comparable data from other jurisdictions.

Tools: a selection of those mentioned above, appropriate to the subjects at issue.

8. **Other users**

This category includes economic research institutes, investment analysts, academia, businesses, and civil society including NGOs. Each will have their own priorities of sectoral focus.

Tools: potentially any of those mentioned above.

Future developments

It is clear that the importance of services in the world economy is growing, which underlines the need to measure economic growth more accurately, including the impact of services on national economic performance, and in international trade in services, where data are relatively inadequate and most are problematic as to quality and comparability. Current work at the international level is therefore aimed at upgrading the international standards, implementing them more fully, and strengthening the relevant institutions and statistical infrastructure so that conceptual and methodological problems can be better tackled cooperatively.

The Common Guidelines for CARICOM will need to take account of current work being undertaken to update the relevant international standards, including:

SNA 1993 update (by 2008): for the service sector the focus will be on the definition of insurance services, the output of financial services, the treatment of non-financial assets and revenue flows stemming from the leasing or right to use assets such as software, copyrights on music and films, R&D and so on. The determination of the residence of firms, and individuals including foreign students, sailors and foreign temporary workers are also being further defined.

IMF BOP Manual revision (by 2008): issues being tackled include the residency of firms and individuals; the classification of services within the balance of payments; the borderline between goods and services trade (such as for repairs, goods for processing, re-exports, Merchanting and information products and originals).

ISIC revision (by 2007): this will include further detail on services (21 Sections in the place of 17, and 87 divisions instead of 60 in Rev.3.1). It will probably include a new Information and Communication Section (and improved ICT aggregations), and sections on professional and business support services, culture, recreation, and human health services. Improvements to environmental activities are expected as well.

CPC revision (by 2007): services will be further elaborated, and a new grouping on information products is likely. Other sectors being studied include tourism and health services, and probably those sub-sectors on which much recent work has been done under the North American Product Classification System.

Other revisions: there will be consequent revisions necessary for The Manual on Statistics of International Trade in Services (by 2009) and the OECD Benchmark Definition of Foreign Direct Investment. The former will include updating ICFA and EBOPS to take account of the new international standards, with further material on GATS Mode 4, to cover residence, households with connections in more than one territory, and data on remittances.

OECD work on surveys on the use of ICT by businesses, households and individuals is focusing on aspects of digitised products, mobile access, IT security, e-business and e-government which have high policy relevance. A new module on e-business processes should be ready during 2005.

By the end of 2005 the World Tourism Organisation will also have produced an integrated set of modules for the collection and compilation of tourism relevant data.

9.0 HARMONIZED APPROACHES TO SERVICES STATISTICS

9.1 Elements of coordinated approaches

Because we are dealing with several national agencies, a prime concern is to work towards the goal of a harmonized approach to the statistics of trade in services. The elements of this goal may be broken down in to the three key aspects of collection, compilation and dissemination of the data, but a regionally harmonized approach would include at least six elements:

Collection

1. Common universe from which the data on services are collected. This involves the development and continuous updating of the register of business enterprises. The Business Register constitutes the survey frame. When surveys are based on an inadequate survey frame, the comparability of the resulting statistics becomes questionable. The register of Trinidad and Tobago should be used as the model for the region, with the use of ISIC Rev.3 coding or equivalence as much as possible. Improvements in the register of business are a positive step in the direction of widening

the coverage of surveys, which is a step towards strengthening weak data bases, which in turn improves the comparability of statistics both of production and of trade in services.

2. Survey forms. Standardization of the survey forms used to collect core data both for the national accounts and the balance of payments is a cornerstone of harmonized regional statistics. It is also a necessary step to facilitate the development of a common, customized computer-based compilation system that is much desired by compilers in the region. (The point is emphasized in Section 7 of this document and in the full report of the IT Consultant.) This is a long process and once such a goal is formally agreed on, movement towards this end should be started immediately. Some countries are already changing their survey forms, but these are individual acts, not with any goal of standardization in view. For example, work is already well in progress for changing the BOP survey forms in the OECS; and after a period of intense preparatory work Trinidad and Tobago recently introduced a new BOP survey form (RBOP09 Survey of Private Investment)[11] bringing in worthwhile improvements in the collection of services statistics as well as direct investment data.

As an early step in the process, it would be beneficial if such proposals for change and the actual changes to survey forms were shared so that an opportunity is provided for synchronization elsewhere in the region. Unfortunately, such communication does not appear to take place at present, perhaps because the mechanisms for doing so are not sufficiently vibrant. CARICOM could play a role here as clearing house, and set up a mechanism to facilitate and promote the advance towards harmonized survey forms; for without a coordinating unit the various steps towards commonality in the survey forms will not take place, even if country statisticians accept in principle the need for standardization of the forms.

An early initiative would be to have inserted as soon as possible questions and practices regarding the direction of trade in services, i.e. the country destination of exports and origin of imports. Where this is not already being done the goal would be to insert in the national accounts survey of domestic production a question on foreign activity, such as percentage of revenues from regional and foreign sources. This is much needed information for regional analysis and CSME purposes; trade in services by partner country is also one of the five core elements recommended for implementation in *MSITS*.

Essentially, achieving the goal of standardized survey forms, or at least standardization of the core data collected, requires a project devoted to this goal alone; organized with a strong coordinating body, with specific target dates, and with a dedicated resource person to promote and monitor progress. The views and recommendations of the Consultants in IT and in Surveys, Sampling, and Estimation underline the importance of starting work towards this goal of standardized survey forms. This is an ideal project for seeking technical assistance. It is noted that CARTAC is already assisting in this area at the ECCB. Although statistical procedures are of a more uniform nature in the OECS, sharing of the ECCB experience would no doubt be instructive for a wider regional exercise.

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[11] Reproduced in the Appendices.

3. Legislation. All countries should have enabling legislation to permit the statistical offices and the Central Bank to collect the balance of payments information, making the provision of such information mandatory rather than a voluntary process as faced by the Central Bank of Barbados.

Compilation

4. The primary harmonizing force is the international statistical standards and guidelines developed by the international agencies. Attention to following the concepts and implementing the recommendations of the three basic manuals – SNA93, BPM5 and *MSITS* is therefore an integral part of regional standardization. This core already exists since all countries in the current project prepare the balance of payments statistics largely in accordance with the principles set out in BPM5 and generally adhere to its concepts. However, in implementing the principles, specific differences in practical detail surface. Two in particular must be addressed by identifying differences and coming to agreement on which of the country practices will be adopted as the regional standard:
   a. Residence. Identifying institutions and enterprises deemed resident particularly with regard to the offshore sector; which involves not only country differences in the legal definition of "offshore business" but also differences in adopting the IMF/BPM5 definition of these enterprises. Similarly for the treatment of construction activities and other activities carried out by non-resident contractors.
   b. The posting of data items from the survey forms to BOP/EBOPS components. The compilation missions revealed differences in judgment as concerning the placement of survey items. Such variation reflects both differences in the survey questions (addressed in (2) above), and the need for a common IT system that would facilitate this process by having such postings built into the programme. This is the basis of the Computer Enhanced Balance of Payments System (CEBOPS) in use in the OECS for many years.

5. An IT system to assist in compilation and posting of data, and the use of software to produce computer generated EBOPS statistics. The designing of common survey forms, as outlined above, is a prerequisite of a standardized computer generated system.

6. Tourism. Since the BOP-defined service *travel* is by far the largest source of earnings from non-residents in services in the region, special attention has to be paid to the collection and compilation of travel and tourism statistics. Small differences in input and compilation procedures can lead to substantial differences in the estimates of output and earnings of the sector in each country. For purposes of comparison over time, comparison between countries and the region and internationally, standardization of methods is necessary and consistency in implementation of the standards is equally important. Where there needs to be differences in procedures, these should be well documented in notes accompanying the final estimates.

9.2 Responsibilities of the main agencies

The requirements of *MSITS* and implementation of the EBOPS classification all call for greater levels of detail in reporting the statistics of trade in services. Compilers are asked to aim at a goal of recording more product detail on output; further breakdowns of detail of exports and imports of services, as well as source and destination of those traded services; details of the modes of supply; and a breakout of the nature of the trader for FATS statistics. The principal areas of interest are therefore five: the statistics of production of services, statistics of international trade in services, tourism, labour and FATS statistics. In the region, these data are assembled from a number of sources, which include the statistical offices, central banks, tourism authorities as well as administrative agencies such as immigration departments, labour and tax departments. With so much detail to be assembled into a consistent whole, and so many agencies involved in the production process, an overall issue of concern becomes not so much who should collect and compile the greater detail required, but how to lessen duplication by these agencies in the process of collecting the information needed.

The main agencies with responsibility for the statistical collection of data on services are the central statistical office and the central bank. It is now well established in the region that the central banks collect and compile data on international trade in services as part of preparing the Balance of Payments of each country. In the OECS the statistical agencies collect the data, and compilation is completed with the help of the ECCB. The history of the movement of the preparation of the balance of payments statistics from the statistical offices to the central banks tells us that the issue has been addressed and resolved by each country based on the resources, capacity and capability of their respective agencies to produce the timely data needed for analysis of the balance of payments. These are the factors that determine the distribution of responsibilities of the main agencies, and also determine whether they will be prepared to handle the increased attention to services and the greater levels of detail now required.

All countries visited reported good working relationships between statistical office and central bank; there is room, however, for greater systematic exchange of information and collaboration, especially in the areas of development and updating of the business register; in harmonization of the use of survey forms; and in attention to reconciliation of output data from the statistics office with export of services data from the central bank.

In preparing the Balance of Payments the central banks require input from the statistical offices, who in turn require information from the tourism offices, and from labour and other administrative departments. All these require surveys to gather information. With the removal of foreign exchange controls the central banks have also come to rely on direct surveys of enterprises to gather the information needed, as do the other collecting agencies; hence the concern with duplication of effort and lessening the impact of multiple questionnaires on business respondents.

Resolution of the issue is not a question of avoiding surveys, for the statistics gathering agencies are operating in a climate in which it is reported that some alternatives like tax sources are in fact becoming less useful. At the same time resistance to providing more detail is also evident, for example as reported in Belize, and in other countries in the world as well. A suggested approach

towards lessening duplication would involve a specific exercise set up for this purpose, part of the programme to standardize survey forms and produce prototype questionnaires for the region. It would (i) examine the surveys now used by the various agencies and record the nature of the data collected and the frequency of collection; (ii) assess and cross reference duplication; (iii) determine what parts of a survey could be eliminated, and (iv) determine whether alternative sources of the information exist, are practical and cost-effective to use, and even sufficient to allow the entire survey to be discontinued. This would be an integral part of the goal to standardize survey forms in the region, which requires joint work by a team, as suggested in the report of the Consultant in Surveys, Sampling, and Estimation.

Such a project is addressed to the collectors of data, to lessen actual duplication in the collection process. A parallel aspect should be addressed to the providers of data, to diminish their perceived duplication in the requests for information. This needs to be addressed by public relations programmes geared to reducing the perception of duplication by the providers of data, the business community.

The public relations programmes would give business respondents concrete feed back in terms of providing brief information bulletins with data they might find useful. This would also illustrate the use to which their information is put, as well as promote in a more general way the need for their company information and for their cooperation. Such an exercise would be part of a more generalized approach to overcoming the universally low response rates.

10.0 SUMMARY OF RECOMMENDATIONS AND CONCLUSIONS

10.1 Issues and recommendations

Compilation

1. Compilers should continue to follow the BPM5 recommendations on the principles of recording transactions between residents and non-residents of an economy. Everyone says they are compiling based on BPM5 standards, but in the actual implementation of those standards differences appear, some with quite significant results for purposes of comparison. Attention to country detail is therefore important, and should be reinforced by systematic preparation of explanatory notes, that can be easily shared within the region, on the specifics of creating each estimate produced.

2. Following the BPM5 recommendations on the principles of recording residence, for example, means identifying what institutions are deemed "regional institutions" and specifying how these institutions are treated in terms of their resident/non-resident status (the UWI campuses are treated as resident); and also establishing, in an agreed and formal way, what designation and treatment is most appropriate for the region in the case of the offshore financial sector and International Business Companies.

3. In approaching the goal of compiling data on services transactions between residents and non-residents of an economy according the EBOPS classification, the first priority should be completion of compilation of data at the level of BPM5. This could then be followed by the introduction of the EBOPS level of detail, while taking into account the data capabilities of individual countries.

   Compilation of data on the EBOPS memorandum items is not an immediate priority.

4. High priority should be given to compilation of data on the basis of trading partners, at least at the level of the 11 major components of BPM5. In order to analyse international trade in services among the countries of the CARICOM region for the CSME, what is required is information on the country destination of exports and country origin of imports. The absence of this information is a most important data gap for the region.

5. Allocation of services by modes of supply is not a high priority for the region, although use of the concept and a preliminary allocation of the major services would enrich the understanding of the various ways in which international trade in services can take place, and can therefore be the subject of negotiations.

6. The report gives prominence to the central role of the business register. A good register is a complete and up-to-date record of all businesses including small enterprises, which are common in the services sector. It is an essential prerequisite for the collection of business statistics since it provides the universe of reporting companies. Where it is not currently feasible to conduct surveys to collect information on services, the register will be relied on as a base in developing estimates. Maintaining an updated register of businesses, including

small enterprises, is therefore a major step in addressing the need to widen coverage in order to fulfill the requirements for detail of the EBOPS classification. Guidelines are proposed for maintenance and updating of a central register of enterprises, and the register maintained by the Central Statistical Office of Trinidad and Tobago is cited as a "best practice" guide for other countries in the region. It is recommended, as it was in 2001 in the SAR report, that statistical offices should be provided with the resources to improve and update their business registers, since with the exception of Trinidad and Tobago, there is currently no dedicated staff for this activity.

7. In several services areas collection of data on enterprise activity presents a major challenge for statisticians. Because of anticipated low response rates, these services are not amenable to regular business surveys, and pilot studies and occasional surveys in the research mode are recommended as the means of establishing benchmarks to allow further estimates to be made. Specific investigations are recommended for collection and compilation of data in the following areas: business, professional and technical services; personal, cultural and recreational services, including gambling and betting services; offshore medical schools; and as a start, special studies on the direction of trade aimed at businesses in a particular sector where data are now collected.

8. Universally, a prime concern for compilers is low response rates, which are even lower in the services sectors than in the goods producing sectors. The goal of increasing the response rate in all sectors should therefore be among the first objectives undertaken. The general desire to have the problem solved must now be channeled into a plan setting a specific target rate of response for each sector (at 70% for some), to be reached by a set target date. The plan will include the follow-up procedures – reminders, telephone calls, and visits. The important feature of the plan is that these procedures must be systematically carried out on a continuous basis. Statisticians are well aware of this; this is a mental plan they carry with them; the final and vital aspect of the plan is the funding to allow the application of additional resources dedicated to doing this work on a continuous basis. There are no short cuts and no magic formulas.

FDI and FATS

9. The first step in compiling statistics of Foreign Direct Investment enterprises and Foreign Affiliates Trade in Services enterprises is to identify these enterprises operating in the compiling economy. A comprehensive central register of enterprises is a basic tool in identifying FDI and FATS enterprises, but the register must include information on ownership if it is to be useful for this purpose. An alternative method of getting this information is discussed.

10. Foreign Direct Investment enterprises are those in which there is 10% or more foreign ownership. Enterprises with more than 50% foreign ownership are classified as FATS enterprises. FATS statistics should cover these affiliates, in which the foreign direct investor holds a majority of the ordinary shares or voting power.

11. Six basic sets of economic data are identified as a priority, to be reported in compiling FATS statistics. These FATS variables should be disaggregated according to the ISIC Categories for Foreign Affiliates (ICFA) schedule. Sources of this information are discussed.

Current problems of collecting and reporting the data on FATS variables relate to the necessity to extract the data manually since, with the exception of Trinidad and Tobago, systems have not been set up to do this.

12. Where countries are not in a position to prepare FATS statistics, *MSITS* recommends using FDI as proxy for FATS. *MSITS* recommends that FATS variables should be compiled for all foreign affiliates, not only those in services.

Classification

13. Three reference classifications for the region are provided based on three international classification systems that are most central to trade in services, namely EBOPS, GATS and ISIC. EBOPS, the Extended Balance of Payments Services classification, is the extension of the transaction components in the Balance of Payments Manual, fifth [edition]. The detailed schedule CCEBOPS, is the Caribbean Community version of EBOPS; it is recommended for use in compiling and reporting transactions in services.

14. The GATS classification (GNS/W/120) is a legal classification of services sectors. Trade negotiators use it for legal purposes, such as the GATS agreements or in the CSME negotiations of the Caribbean Community. ICFA/ISIC is used in reporting FATS statistics; accordingly, ISIC Categories for Foreign Affiliates is the desired level of disaggregation in reporting these statistics. Another classification, the Central Product Classification (CPC) is used to define basic EBOPS components, and to link the EBOPS classification with the GATS.

15. Statistical notes provide additional recommended breakouts or alternative groupings for the CARICOM core categories, including:

Cargo handling: would be compiled at #232, (the category for Supporting services to all transportation) but for most presentation purposes would appear in primary breakout #217.

Yacht repairs: The practical treatment recommended here is to compile repairs to transportation equipment using CPC definitions, but to designate the values as CARICOM memo items under the three primary modes of transport, and footnote the inclusion of any large capital repairs otherwise classifiable under Goods. Thus in the CCEBOPS schedule, Yacht/small craft repairs, and other marine repairs are each memo items under Other sea transport of #209

Travel and Tourism: to reflect regional importance, three further breakouts are suggested of the 'All other travel expenditures' category (EBOPS #871):

4. Travel agency, tour operators and guide services, now part of Other business services [284]
5. Expenditure on entertainment services [897]
6. Expenditure on sporting and recreational service [897], which includes gambling and casino operations.

Computer and information services: For the next BOP manual the proposed classification would combine EBOPS Communications, with Computer and information services into a new Information technology services group. The new total would be broken out in three ways: Computer services, Internet provision services, and Other information provision services.

Construction: In light of complexities in implementation, no further breakout is suggested at this time.

Financial services (excluding Insurance) [260]: Upcoming revisions to BOP services will likely recommend adding Financial Intermediation Services Indirectly Measured (FISIM) into Financial services, where they are defined but not yet quantified. This step would mean greater consistency between the level of services now measured in the BOP and in the National Accounts where FISIM is progressively being included.

A further breakout of Non-insurance financial services should be explored for future compilation and reporting. Money transfer services are included in the definition of Financial services. They are one of the many supporting services covered under the existing definition of this category.

Surveys, Sampling, and Estimation

16. Three types of surveys are most central to the collection of statistics of production and trade in services: a) Household surveys such as the Labour Force Survey; b) Surveys of people, such as Exit surveys (Visitor Expenditure Surveys); and c) Surveys of Establishments, which are the main source of data that uses sampling as a methodology for compiling services statistics.

17. A good survey differs from a bad one if errors are under control and their relative magnitude can be ascertained. Therefore, the goal is to reduce sampling errors and sampling biases, but without substantially increasing the cost of the surveys.

18. The sampling frame for the Business Register: The proposal for maintaining an updated registration system for registers of business enterprises includes the following:

    i.   A list of establishments is not necessarily a useful sampling frame. It is recommended that several lists of establishments, such as administrative records from the VAT system, be used to create a database. One list has to be identified as the principal list, and others used to improve the database.

    ii. The database must have enough information (as codes) to be able to organize establishments by groups, and also to do classifications of groups of establishments according to FATS statistics; by country and geographical region; industry and type. Classification must be at least 2 digits.

    iii. A questionnaire should be sent to the list of establishments to update the register by asking questions related to: a) Name, address, phone, Fax, e-mail; b) Industry type and activity; c) Number of employees or codes for identification of the strata, in the case when this data is confidential; d) Year of began operation, year of data collected and year out of operation if applies; e) Type of legal ownership; f) Other useful information; g) Active or inactive.

    iv. Review and update the list once every year in terms of the coverage and the quality of the database.

    v.   The business register of Trinidad and Tobago is a good example of best practice.

19. With respect to estimation procedures, three ways of thinking about producing estimates should be borne in mind, namely

    ▪ We can always produce estimates, but in order to measure the sampling error of the final estimate it is necessary to achieve almost complete responses (more than 70%), and
    ▪ Estimating results is not the same as inventing results. Therefore, researchers have to be precise about what type of approach they use to replace the missing data.
    ▪ Finally, some data is better than nothing, but be careful to avoid misuse of this principle.

20. Estimation procedures are discussed under four headings:

    a. Direct sampling estimates
    b. Estimates comparable over time
    c. Use of other sources of data
    d. Imputations

Using IT to enhance BOP compilation

21. From an IT standpoint the issue that appears to impact most significantly on the quality of the data in BOP statistics relates to the general poor quality of the Establishment Register. The Central Statistical Office, Trinidad and Tobago, has developed an Access database of registered companies, which, though not fully comprehensive in terms of content, suggests the path that should be taken by other countries.

22. With respect to automation of the survey forms, the questionnaire is arguably the most significant starting point in designing a common system for producing trade in services statistics. The entire database schema is informed by the questionnaires. The success of the CEBOPS system can be attributed primarily to the fact that all OECS territories utilize the same BOP questionnaires.

23. One critical prerequisite for developing a functional computerised system for this project is therefore standardising the questionnaires used by member states. While there is the recognition that this initiative is by no means a simple task, it requires special attention generally and more specifically with regards to its implication for leveraging information technology.

24. Among the areas requiring immediate attention if the IT system is to be successfully implemented are:

    • An acceptable level of standardisation of the questionnaires used across the various countries.

    • Standardisation of the classifications system used by member states.

    • Finalising the proposed classification system and agreement on the treatment of potentially contentious items.

25. It was suggested that the survey form could be distributed in a format that would facilitate electronic completion and submission. This request is indeed reasonable given the availability of appropriate technologies to satisfy this requirement. The design of the proposed system will therefore give consideration to the integrating e-Forms technologies that will assist in the automatic posting of data to the database without requiring manual data entry.

26. Technical details of the Design Framework are presented, and the key functional requirements, as well as hardware and software and personnel requirements.

27. The CEBOPS system in use in the OECS requires modification for generating statistics of trade in services based on the EBOPS classification. In its present configuration the CEBOPS worksheets have been used to manually generate EBOPS tables for the countries studied. CEBOPS provides an excellent tool for generating standard BOP statistics. However, the present proposal requires the generation of EBOPS statistics, which are collated and presented in a different format from the BOP tables based on a defined classification system.

28. Given that the ECCB is about to embark on a redesign of the CEBOPS application, there is an excellent opportunity for the CARICOM Secretariat to liaise with the appropriate personnel responsible for this activity to ensure that some of the key requirements of the new system can be brought to bear on the project.

29. The key challenge the current exercise faces is not one directly related to Information Technology but relates more specifically to the subject of harmonization. That is, the classification of methods and procedures for data collection and processing that are compatible with each other. To the extent that some level of harmonization can be achieved, the IT component will indeed be a relatively simpler exercise.

Approaches to harmonization of services statistics

30. In data collection, standardization of the survey forms used to collect core data is a cornerstone of standardized regional statistics. It is also a necessary step to facilitate the development of a common, customized computer-based compilation system that is much desired by compilers in the region.

31. In compilation, the primary harmonizing force is the international statistical standards and methodologies established by the international agencies. Attention to following the concepts and implementing the recommendations of the three basic manuals – SNA93, BPM5 and *MSITS* is therefore the foundation for regional standardization of services statistics.

32. A computerized system is an important tool in the goal of harmonization, and the proposed system is designed to develop databases to assist in compilation and posting of data, and to provide software for use in generating tables according to the EBOPS classification as well as FATS statistics. Standardized survey questionnaires are a prerequisite for successful implementation of the IT system.

33. With the ever increasing international requirements for more detail in the services, and with so many agencies involved in producing the data, an overall issue of concern becomes not so much who should collect and compile the greater detail required, but how to lessen duplication by these agencies in the process of collecting the information needed. Resolution of the issue is not a question of avoiding surveys, for administrative records can supplement but not replace information gathered by direct surveys.

34. The proposal for lessening duplication involves a two-pronged approach of a) tackling actual duplication through an assignment specifically set up to address this objective, as a part of the programme to standardize survey forms; and b) addressing respondents' perception that there is duplication, as a specific part of public relations programmes to overcome low response rates.

10.2 CONCLUSIONS

35. Services are increasingly important in today's global economy and contribute well over 60% of the value added of the world economy, according to the World Bank *World Development Report 2005*. Services have always been important in Caribbean economies as major sources of employment even if not of value added. In terms of household domestic services, taxi and transportation services, distribution and informal sector services, the contribution of services to employment in the region has always been substantial. In the early days of development economics, statistics showing such a large 'tertiary' services sector were used as one of the indicators of 'underdevelopment'. The difference in today's globalized economy is that the importance of services is related not only to their value added contribution but also is associated with those services that have the attribute of being traded internationally. Hence the need for and agreed framework for compilation of trade in services statistics as provided by the manual *MSITS*, and the focus in this *Common Guidelines* document on the measurement of regional services involved in international trade, as opposed to those services produced for domestic consumption only.

36. The Common Guidelines seek to provide operational guidance for compilers in the Caribbean Community. They are prepared in the context of earlier recommendations of the 2001 *Situational Assessment Report* particularly those referring to the need to expand the detail and coverage of services in the statistical systems of the region. The international EBOPS classification is the level of detail to which countries are encouraged to aim, in addition to adopting the requirements of *MSITS* regarding trade in services by partner country, Foreign Direct Investment and FATS statistics, modes of supply and the movement of persons to work abroad. It must be borne in mind by all concerned that the question of how far countries should go in collecting and compiling the details recommended in *MSITS* depends primarily on the importance of the component item for the compiling country or the region, next on the ability of the statistical agencies to collect or estimate the detail, and ultimately on how the respondents keep their records and their willingness to provide the information requested.

37. Although the Common Guidelines pay considerable attention to compilation issues, in the compilation missions in the countries visited it has been found that the major challenge is not compilation itself but getting the information to compile, that is, data collection. Universally, a prime concern for compilers is the low response rates, which are even lower in the services sectors than in the goods producing sectors. The goal of increasing the response rate in all sectors to some target rate (above 70%) should therefore be among the first objectives undertaken. It is again necessary to point out that the ability of statistical agencies

to collect and compile statistics is conditioned not only by their technical procedures but also by the willingness of respondents to provide data. Follow-up procedures have been found to give good results; but to be effective; these must be conducted on a continuing basis. Though resource intensive, personal contact is still an effective means of overcoming reluctance on the part of respondents.

38. Public relations activities must also be given prominence in addressing business reluctance to provide information. Professionally executed PR is not a frill; it needs to be viewed as a powerful tool in overcoming this barrier to data collection, which affects all areas of statistical compilation. Use of this tool is recommended both for the immediate needs and for the long-term maintenance of the desired databases. It requires resources to educate the public, but access to professionally executed PR is certainly an area that is amenable to technical assistance from countries experienced in using this tool.

39. Looking at the immediate future for services statistics, the prime strategy in the region necessarily has to be directed at getting more information from the survey process, whether quarterly, annual or occasional. The reasons for this conclusion are (a) alternatives to the survey process, such as administrative records assist but do not yield sufficient information in the areas needed; and (b) estimation procedures assist but the results are themselves limited if the database is weak due to incomplete business registers or because the response rate is very low. Consequently, it means allocating more resources for regular follow-up activity, for occasional benchmark surveys and research studies, and inevitably, since they will all rely on this, resources to build and maintain a sound register of business enterprises.

40. In terms of the next steps that should be undertaken by the statistical agencies with respect to services statistics, the priorities are:

   i. The business register. Developing a comprehensive central register of business is the first area that needs to be addressed. The report highlights the fact that in several areas of services reviewed, the incomplete and out-of-date nature of the existing registers was a significant barrier to wider and deeper coverage of services statistics. The business register of the CSO of Trinidad and Tobago was cited as best practice.

   ii. Immediate attention to gathering information on trade in services by partner country, either by insertion of a question on existing surveys, or through interviews directed to selected businesses regularly surveyed, or both.

   iii. Intensification of the initiative and a start on the work to reach an acceptable level of standardization of the questionnaires used across the region. This is the prerequisite to the next step of preparatory work for developing the automated system discussed in the Common Guidelines, to assist in compilation of the balance of payments in all member countries, and harmonized across the region.

   iv. In terms of specific sectors, Travel and Tourism is a clear priority since this is by far the largest earner in services and the estimates for this sector would benefit from work to put them on a more sure-footed basis. This means fine tuning and harmonizing the conduct of

Visitor Expenditure Surveys. The report of the consultant in Surveys, Sampling, and Estimation outlines how this should be done, and the surveys of Barbados and Trinidad and Tobago are identified for indicators of best practice in the region.

Continuing work with hands-on technical assistance to simplify and implement the Tourism Satellite Account is still a priority. Where this work has begun, as in the Barbados Statistical Services, the facilitation of communications with them is a useful step, so that other countries could compare their questionnaires and methodology in the approach to adopting best practice.

  v. Business and professional services as well as Personal and Cultural services need to be approached through pilot surveys and occasional research studies to provide benchmarks for these sectors. Results will not come overnight; all the more reason to start the process of getting these studies underway now.

  vi. Insurance services need additional attention to settle issues of definition and classification, which have an impact on the way agencies, are treated and consequently on the measurement of intra-regional flows. Since insurance services are likely to prove the largest source of intra-regional transactions in services, special investigation of this sector recommended. The Ministry of Finance of Trinidad and Tobago has begun studies of the entire financial system as reported in the White Paper on *Reform of the Financial System of Trinidad and Tobago* (2004). This is a good opportunity to liaise with members of the committee at the Central Bank to inform them of the statistical interests according to EBOPS, particularly with regard to trade in services by partner country and outward FATS statistics. This might be useful to them in the formulation of their further work; at the same time their specific studies on the insurance sector might produce benchmark information for future compilation work.

41. The list of priorities deals with collection and compilation issues, but there is also the question of dissemination of the statistics of international trade in services. The CARICOM Secretariat has produced an initial publication of the Balance of Payments of the region, followed by *CARICOM'S Trade in Services, 1990-*2000 (July 2002) derived from the Balance of Payments statistics. This brings out the statistics of receipts and payments for services, and reveals the exports and imports of services for each country as well as a regional total. The publication is described as exploratory, and although only four very aggregated groups of services are currently shown, the Secretariat is encouraged to continue publication of regional statistics in services, adding more detail as statistical and confidentiality constraints permit

42. Measurement of production of services and trade in services is a gradual process; it requires determination as well as ingenuity, for gains may be small though incremental over a period of years. There is pressure to conform to the international standards, which always require greater detail, and pressure to show results, coming from the demand of policy makers concerned with negotiations of international trade agreements that now involve services. In addressing the demand for wider coverage and greater detail on services, statistical agencies must weigh two considerations: one which says that 'better statistics' may mean producing a

smaller range of less detailed but more reliable and comparable statistics rather than a wide range of new, but weak statistics. At the same time, making estimates is an integral part of building up a body of statistics, and the other consideration reminds the statistician that failure to make an estimate is equivalent to an implicit assumption that no transaction took place.

43. In the end, it is often necessary to start with an estimate, perhaps based on a weak source, and build on that estimate over time as new information becomes available through benchmark studies or a variety of other indicators. The important step, but all too frequently a missing step, is documentation of the process, so that the estimate can be reviewed and built on later.

44. Two specific targets were identified as essential for statistical agencies to accomplish in order to improve services statistics and fill important gaps in information in the region; they are to widen the coverage of statistics collected, and to collect data by trading partner. These are necessary in order to serve user needs, and in particular the need for information for trade negotiations internationally and within region. In documenting the guidelines, the report finds that compiling statistics for the new sectors of interest presents additional challenges and it is recommended that initially for these sectors, compilation has to be undertaken in research mode – through pilot studies and special occasional surveys to provide benchmarks; and by adopting the methods of sampling, estimation and data confrontation to reconcile the estimates with other indicators in the economy. The central banks of Barbados, Jamaica and Trinidad and Tobago have the Research Units that can do this work, and through collaborative work with the statistical offices it can be decided what studies will be done at the bank and what studies need to be externally commissioned since the statistical offices do not have research units.

45. The report also recommends the use of technical assistance in the execution of the proposed approaches. At the implementation stage the need is for hands-on assistance in specific areas (the business register for example), taking the operational guidance of the Common Guidelines a step further with specific hands-on assistance on a short-term basis for the most part.

46. The role of the CARICOM Secretariat has been pivotal in raising awareness in the region of the need for trade in services statistics. Having initiated the *Situational Assessment Report* of 2001, the Statistical Unit of the Secretariat has since facilitated workshops for compilers, organized the current Trade in Services Statistics project, and produced an initial publication of the Balance of Payments of the region, and Trade in Services of the region. The report recommends that the Secretariat continue its initiatives in promoting and facilitating the increased activities that lie ahead. Notably in the areas of standardization of survey forms and the development of a regional computerized system for compilation of BOP tables, a focal point and coordinating unit is vital for implementation of the various steps involved.

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APPENDIX I TRINIDAD AND TOBAGO BUSINESS REGISTER

TRINIDAD AND TOBAGO: FIELD DESCRIPTION FOR BUSINESS SURVEY ESTABLISHMENT REGISTER

FIELD NAME	DESCRIPTION
SERIAL	The unique identifier of each business establishment.
INDUSTRY	The six digit industry code or industrial group code based on the major activity of the business establishment.
TTSIC	This is the Trinidad and Tobago Standard Industrial Classification.
FULL NAME	This is the name of the business establishment.
BUSINESS ADDRESS 1	This is the physical address of the business establishment.
BUSINESS ADDRESS 2	This is the physical address of the business establishment.
BUSINESS ADDRESS 3	This is the physical address of the business establishment.
MAILING ADDRESS	This is the address to which correspondence should be sent
TELEPHONE NUMBER	This is the telephone number of the business establishment.
FAX NUMBER	This is the business establishment's facsimile number.
E-MAIL ADDRESS	This is the business establishment's e-mail address.
WEBSITE ADDRESS	Website address for the establishment.
COUNTY/WARD CODE	This is a two digit code that represents the geographical location of the business establishment.
COMMUNITY CODE	This is the four digit code allocated to each community.
COMMUNITY NAME	The name of each community with a specific code.
REGIONAL CORPORATION CODE	This is the code for the respective municipalities.
EMPLOYMENT CODE	This is a one digit code that represents the employment grouping.
YEAR OF EMPLOYMENT	This is the year to which the employment figure relates.
YEAR OF DATA	This is the year for which data was collected.
YEAR BEGAN OPERATION	This is the year the business commenced operations.
LEGAL CODE	This is a one digit code that represents the type of ownership.
OWNERSHIP CODE	This is the three digit code that represents by percentage the ownership equity of the business establishment.
CONTACT PERSON	This is the names of persons in the organization capable of providing information.
POSITION OF CONTACT	This is the job title of the contact person.
YEAR OUT OF OPERATION	This is the year the business establishment ceased operations.
ACTIVITY	This field represents the operational status of the business establishment.
NOTES -	Any additional information pertaining to the business establishment.
PERIOD OF UPDATE	This identifies the quarter and year in which records were appended to database from VAT Listing, etc.
SOURCE OF DATA	This field identifies the source of data for updating the database.

APPENDIX II   TRINIDAD AND TOBAGO BOP FORM RBOP 09
SURVEY OF PRIVATE INVESTMENT

APPENDIX II   TRINIDAD AND TOBAGO BOP SURVEY FORM RBOP 09

TIDCO Tourism and Industrial Development Company of Trinidad and Tobago Limited
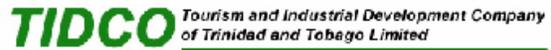
SURVEY OF PRIVATE INVESMENT

RBOP 09 / 2004

Serial No.……………

SURVEY OF PRIVATE INVESTMENT

(Required under authority of the Statistics Act (1981), Chapter 19:02 and Section 3(3), (b), (e) of the Central Bank Act (1964), Chapter 79:02.)

Return For Quarter Ended:……………………………………………………………

NAME OF COMPANY:……………………..………………………………………………………………...

ADDRESS:……………………………………………………………......………………………….………
……………………………………………………………………………….………………………………
TELEPHONE NO:…………………..E-Mail:…………………………..Website: ..………………………

PRINCIPAL BUSINESS ACTIVITY:……………………………………………………..……………….

OWNERSHIP: SHARE CAPITAL ISSUED (Percent):
  (Please see Guidelines and Definitions 7, 9, 10 on page 4)

A. For Direct Investors   **B. For Portfolio Investors**

RESIDENT: …………………………….…   RESIDENT: …………………………………..

NONRESIDENT: …………………………….…   NONRESIDENT: ………………………………….

COUNTRIES: ……………………………….   COUNTRIES: …………………………………..

………………………………………….…   ………..……………………..……………
NAME OF PERSON COMPLETING FORM   POSITION IN COMPANY

……………………………………………..   …………..……………………………………
SIGNATURE   DATE / COMPANY STAMP

Now, please complete the next section to see if this form is relevant to your enterprise.

Is this form relevant to your enterprise?

The chances are that not all questions on this form will be relevant to you. To save you time and help you decide which parts you need to fill in, please answer the following questions.

Filtering Question (FQ)		Yes	No
FQ1	Is your enterprise involved in transactions with non-residents through services, wages and salaries? **If yes, please complete Question 1**		
FQ2	Do non-resident enterprises or individuals hold shares (equity) in your enterprise? **If yes, please complete Questions 2 and 3**		
FQ3	Does your enterprise borrow from / hold debt securities of non-resident enterprises or individuals? Please note that accounts payable, e.g. on imports, is also applicable here (see Note 15). **If yes, please complete Question 4**		
FQ4	Does your enterprise own shares (equity) in non-resident enterprises? **If yes, please complete Questions 5 and 6**		
FQ5	Does your enterprise lend to non-resident enterprises or individuals? Please note that accounts receivable, e.g. on exports, is also applicable here (see Note 15). **If yes, please complete Question 7**		

NOTE: you are a **resident individual or enterprise** if you have lived or operated (or intend to live or operate) in Trinidad and Tobago for a year or more, regardless of your nationality. **Non-resident individuals or enterprises** are those who have lived or operated (or intend to live or operate) outside of Trinidad and Tobago for a year or more (even if they hold Trinidad and Tobago nationality). We are interested in residency (or where the centre of business is located), and not nationality.

If you answered **YES to any one of these questions**, you need to fill in the relevant sections identified by you above, and return this form to us by the due date. *Kindly proceed to the guidelines and definitions below*.

Related Companies

If you are part of a group of companies operating in Trinidad and Tobago, please list the other companies in the group in the box below:

If possible, please supply data for each company in your group individually (i.e., unconsolidated) - see Note 5. Please tick one of the two following statements as relevant:

EITHER: I am supplying unconsolidated data for individual companies within the group	
OR: I am supplying consolidated data for the whole group of companies listed above.	

Guidelines and Definitions

1. Help

By its nature, this form must contain technical words. We explain these below in the context of the questions in which they arise. Please refer to the notes below when you work through the form. If you still encounter problems, and if you are uncertain of any terms or questions, please do not hesitate to call us for hotline support. The following Staff is standing by:

Name	*Institution*	*Tel/Extension*	*E-Mail*
Tricia Harewood	CBTT	625-4835, Ext 2457	twilson@central-bank.org.tt
Joanne Groome	CBTT	625-4835, Ext 2437	jgroome@central-bank.org.tt

2. Due date

The RBOP form is to be completed for each quarter of the calendar year and should be submitted within thirty (30) days from the end of the reporting quarter to:

> The Manager
> Research Department
> Central Bank of Trinidad and Tobago
> P.O. Box 1250
> Port of Spain
> **Attn: BOP Returns**

Or E-Mailed to: bop@central-bank.org.tt **Or** Faxed to: (868) 625-8895.

If you are having problems meeting the due date, please call us for assistance as soon as possible before the deadline, on one of the numbers above.

3. Reporting period

This form requests data on a calendar quarter basis for 2004 and onwards, (i.e., from January 01 to March 31, April 01 to June 30, etc). If you produce quarterly accounts that do not match the calendar quarters, then please indicate this period to us on the form. Your best estimates, whether audited or not, would be acceptable.

4. Currency of reporting

We prefer you to submit all data in Thousands of Trinidad and Tobago Dollars (TT$ 000s). If you are converting into TT$ from another currency, when you calculate:

- Stocks at end of period: please use the **end of period exchange rates** (mid-point between buying and selling rates) for the relevant period.
- Transactions during calendar year: please use the exchange rate (mid-point between buying and selling rates) at the time the transaction is recorded in your books. Please contact the Central Bank for the appropriate rates.

5. If you are part of a group of companies…

If you are part of a group of companies, please complete and submit a form separately for each individual company within that group. This will help in our investment promotion purposes and sectoral policy. *If however you cannot supply unconsolidated data*, please indicate this to us on your return with your consolidated data, stating the companies you have included.

6. If you are fully or partly owned by a holding company…

If you are fully or partly owned by a holding company, please submit information on the form for that holding company, and indicate this on the form by giving its name.

7. Residency

As discussed on page 1, this survey is interested in transactions between residents and non-residents only. You are a **resident individual or enterprise** if you have lived or operated (or intend to live or operate) in Trinidad and Tobago for a year or more, regardless of your nationality. **Non-resident individuals or enterprises** are basically the rest of the world: they have lived or operated (or intend to live or operate) outside of Trinidad and Tobago for a year or more (even if they hold Trinidad and Tobago nationality). We are interested in **residency** (or where the centre of business is located), and not nationality. In *Questions 1, 2, 3, and 4*, please treat all International Organizations as non-residents.

8. Time of Recording of Transactions

Transactions in financial items are recorded on the day when there is a change of ownership. So, for instance, commitments to provide funds do not count as transactions for recording purposes until the necessary funds have actually been disbursed. If debt is exchanged for equity or other debt, then a transaction is recorded whereby principal is repaid and a new liability created. For positions in financial items, ownership is key: positions are recorded if the creditor owns a claim on the debtor. For other transactions, when goods are provided, a service is rendered, interest accrues, or an event occurs that creates a transfer claim (such as under non-life insurance), a debt liability is created and exists until payment is made or forgiven.

9. Foreign Direct Equity Investment (FDEI)

You will see this term referred to in *Column A of Questions 2 and 5*. **Equity** means shares in companies, or the equivalent ownership interest for branches. **FDEI** reflects having a say in the management decisions by a non-resident enterprise in your company (*Question 2*), or by you in a non-resident enterprise (*Question 5*). For the purpose of this survey, FDEI is defined as a shareholding of 10% or more. Therefore:

- If a non-resident holds 10% or more of the ordinary shares, voting rights or equivalent in your company, please complete *Column A of Question 2*.
- If you own 10% or more of the ordinary shares, voting rights or equivalent in a non-resident company, please complete *Column A of Question 5*.

10. Foreign Portfolio Equity Investment (FPEI)

This term is referred to in *Column B of Questions 2 and 5*. As with FDEI above, **FPEI** refers to equity holding either by a non-resident in your firm (*Question 2*), or by you in a non-resident firm (*Question 5*). It does not however entail having a say in management decisions. For the purpose of this survey, FPEI is defined as a shareholding of less than 10%. Therefore:

- If a non-resident holds less than 10% of the ordinary shares, voting rights or equivalent in your company, please complete *Column B of Question 2*.
- If you own less than 10% of the ordinary shares, voting rights or equivalent in a non-resident company, please complete *Column B of Question 5*.

11. Market Value and Book (Nominal) Value

Book value comprises authorised and issued share capital at historical cost plus any share premium reserves plus retained earnings plus any other reserves. Market value is simply what you would be willing to pay to acquire something from a willing seller based on commercial considerations only. Generally, transactions should be recorded at market value, as should positions in tradable instruments. For instruments that are not tradable, the nominal (book) value - that is, the amount owed by the debtor to the creditor - is an acceptable proxy for the position.

12. Retained (Reinvested) Earnings

Retained earnings are requested in *Questions 3 and 6*. They are a part of Foreign Direct Investment. In *Question 3* you can calculate these by using the table given.

13. Dividends and Branch Profits Remitted

1.1.1.1.1 **This data are requested in** *Questions 2 and 3* **for liabilities, and** *Questions 5 and 6* **for assets.** Dividends **are earnings distributed to shares (equity) or equivalent equity holdings for incorporated private enterprises, cooperatives and public corporations.** Branch profits remitted **are the same but apply to branches (unincorporated enterprises). Note that data you give in:**

- **Q2.8 Column A should be the same as Q3.2;**

- **Q2.8 Column B should be the same as Q3.3.**

14. Shareholder and Inter-company Borrowing and Lending

Asked for in *Q4 (Column A)* for borrowing, and *Q7 (Column A)* for lending. This is borrowing or lending between your enterprise, and an **affiliated** (i.e., not independent) non-resident company where FDI equity / shareholding relationship exists (e.g., head offices, branches, associate companies, subsidiaries – see Note 9). Note this would include **trade credits** if the transaction were between **affiliated** companies (see Note 15).

Transactions and stocks of inter-company assets and liabilities between two affiliated financial intermediaries that are recorded under direct investment are limited to permanent debt (loan capital representing a permanent interest) and equity (share capital) investment, or in the case of branches, fixed assets. Other liabilities and claims between affiliated financial intermediaries are classified, as appropriate, under portfolio investment *(Column B of Q2 and Q5)* or other investment *(Columns A – E in Q4 and Q7)*.

15. Trade Credits from / to Unaffiliated Companies

Trade Credits between **unaffiliated** companies are requested in *Q4 (Column B)* and *Q7 (Column B)*. Trade credits are commercial credits extended by exporters to importers and prepayments made by importers to exporters. These are ordinarily the result of ongoing or open book arrangements between purchasers and suppliers. **If your company import or export goods and services, one would expect short-term trade credits (Column B in Q4) and short-term trade debits (Column B in Q7), as appropriate.** Funding provided by an enterprise other than the supplier for the purpose of financing trade are not included as these are classified under loans (see also note 16).

16. All Other Borrowing / Lending

This is requested in *Q4 and Q7 (Column C)*. It excludes information you include as Shareholder and Inter-company [and Trade Credits with Affiliated Companies] (Column A), and Trade Credits from Unaffiliated Companies (Column B). It therefore includes all other loans and advances on a long and short-term basis such as for mortgage, or for financial lease and repurchase agreements, or loans to finance trade.

17. Currency and Deposits

Requested in *Q7 (Column D)*. *Currency* consists of notes and coin in circulation, commonly used to make payments. Deposits are *transferable* (with unrestricted exchange on demand at par) in any currency and commonly used to make payments, or *other* (such as savings or time deposits). This question is for all respondents who might hold currency and deposits abroad in any currency.

18. Bonds and Notes / Money Market Instruments (Portfolio Debt)

Requested in *Q4 (Columns D1 and D2)* and *Q7 (Columns E1 and E2)*. They include bonds, debentures, commercial paper, promissory notes, certificates of deposit, and other tradable non-equity securities. Bonds and Notes are long-term (with original maturities of more than one year). Money Market Instruments are short-term (with original maturities of one year or less).

A.   International Transactions in Services and Income

1. Please complete the Table below for your enterprise's international trade in services.

Indicate in the table below how much in Thousands of Trinidad and Tobago dollars your enterprise:

- Received for services it provided to **non-residents** (credit) and
- Paid for services received from **non-residents** (debit)

TT$ 000's

	Category of Services	A: Credit (Income received)	B: Debit (Payment made)
1.1	Communications (telecommunications, postal and courier, etc)		
1.2	Construction		
1.3	Computer and Information		
1.4	Royalties, Copyrights, Patent and License fees		
1.5	Insurance Premiums (gross)		
1.6	Insurance Claims (gross)		
1.7	Financial services		
1.8	Merchanting and Other Trade Related		
1.9	Operational Leasing		
1.10	Research and Development		
1.11	Legal, Accounting, and Management Consulting		
1.12	Advertising and Market Research		
1.13	Architecture, Engineering, and other Technical services		
1.14	Agricultural and Mining		
1.15	Other Business services		
1.16	Personal, Cultural and Recreational		
1.17	Other (please specify)...		

Wages, Salaries, etc. Paid to Non-resident Workers	TT$ 000's
Gross wages and salaries paid to **Non-residen**t workers during the quarter.	
Taxes withheld on behalf of the Government during the quarter.	

B. Foreign Investment in This Company (Liabilities)

2. Transactions (during the quarter) and equity stocks (end of the quarter) held in your enterprise by non-residents.

Please complete this question if non-resident enterprises or individuals hold equity in your company:

- In *Column A*, please enter aggregate data for non-resident enterprises or individuals that each own 10% or more of the equity or equivalent voting rights in your enterprise (Foreign Direct Equity Investment).
- In *Column B*, please enter aggregate data for non-resident enterprises or individuals that each own less than 10% of the equity or equivalent voting rights in your enterprise (Portfolio Equity Investment).
- To ensure we do not have to get back to you for clarification, enter *n/a* where not applicable.
- **Equity** comprises Share Capital, Retained Earnings, Capital Reserves, and all Other Reserves.

See Notes 7-11, and 13. Please report in Thousands of Trinidad and Tobago dollars.

		Equity held in your enterprise by:	
		A. **Foreign direct investors (each holding 10% or more)**	**B.** **Other non-residents (each holding less than 10%)**
		TT$ 000's	TT$ 000's
2.1	Book Value of Equity at beginning of quarter		
2.2	Market Value of Equity at beginning of quarter		
2.3	Purchases of shares by non-residents in your enterprise during the quarter		
2.4	Sales of shares by non-residents during the quarter (**enter as negative**)		
2.5	Valuation changes during period (due to exchange rate, market value, other) **(this is derived – see note below)**		
2.6	Book Value of Equity at end of quarter		
2.7	Market Value of Equity at end of quarter		
2.8	Dividends paid / branch profits remitted to non-residents during quarter		

To the respondent / data checker: for Columns A and B, line 2.5 is derived after rows 2.2, 2.3, 2.4, and 2.7 have been completed. Therefore line 2.5 = 2.7 - (2.2 +2.3 + 2.4), where 2.4 can be negative.
In other words, line 2.7 = 2.2 + 2.3 + 2.4 + 2.5.

3.   Retained Earnings of Foreign Direct Investment Enterprises

Please complete this question if non-resident enterprises or individuals hold equity in your company, by working through the following table.

- Calculate total retained earnings *attributable to Foreign Direct Investment during the period* for your company in Trinidad and Tobago.

See Notes 12 and 13, and report in Thousands of Trinidad and Tobago dollars, except where indicated

TT$ 000's

3.1	Net operating profit (after tax)	
3.2	Dividends paid / branch profits remitted to **foreign direct investors (each with holdings of 10% or more) –** *from Q2.8 Column A*	
3.3	Dividends paid / branch profits remitted to **non-resident portfolio investors (each with holdings of less than 10%)** – *from Q2.8 Column B*	
3.4	Dividends / branch profits paid to **residents**	
3.5	Total retained earnings (= line 3.1 less line 3.2 less line 3.3 less line 3.4)	
3.6	Percentage equity in your enterprise owned by **all foreign direct investors** at end of period (in percent) (as indicated on pg. 1)	
3.7	Retained earnings attributable to **Foreign Direct Investment** (= line 3.5 multiplied by line 3.6, divided by 100) - this figure can be negative!	

To the respondent / data checker. Please check that:
    Line 3.2 is the same as Question 2.8 Column A
    Line 3.3 is the same as Question 2.8 Column B
    Line 3.5 = Line 3.1 – Line 3.2- Line 3.3 – Line 3.4
    Line 3.7 = Line 3.5 * Line 3.6 / 100
   Line 3.6 should be the same as reported on page 1 in characteristics of establishment.		

4. Borrowing from Non-Residents by Your Enterprise

Please complete this question for long and short-term debt if you borrow from non-resident individuals or organisations.

- Supply *total stocks* (market value) at the end of the quarter, and *transactions* during the quarter. *Valuation and other changes* will be derived.
- *Long-term* means original maturity of greater than 12 months; *short-term* means original maturity of 12 months or less.
- *__Exclude__ domestic resident-to-resident borrowing in foreign currency.*
- To ensure we do not have to get back to you for clarification, enter *n/a* where not applicable.

See Notes 7, 14-16, 18, and report in Thousands of Trinidad and Tobago dollars.

TT$ 000's

Borrowing from non-residents by your enterprise		Creditor Institution Group							
		A. Borrowing from companies holding 10% or more equity in your enterprise		B. Trade credits from unaffiliated companies		C. All Other Borrowing		D. Portfolio Debt	
								Bonds & Notes	Money Market Instruments
		A1. Long-Term	A2. Short-Term	B1. Long-Term	B2. Short-Term	C1. Long-Term	C2. Short-Term	D1. Long-Term	D2. Short-Term
4.1	Value outstanding **excl** arrears at beginning of quarter								
4.2	Proceeds from loans & debt during the quarter (incl. credit purchases)								
4.3	Payments made during the quarter								
4.4	Principal arrears created during the quarter								
4.5	Interest and fees paid during the quarter								
4.6	Other transactions **excl** arrears during the quarter (debt forgiveness, re-scheduling, write-off, debt/equity swaps etc) Please specify..............								

4.7	Valuation and other changes during the quarter **(derived – see note below)**								
4.8	Value outstanding **excl** arrears at end of the quarter								

To the respondent / data checker. Please check that:

For all columns, line 4.7 is **derived** *once the other rows have been completed.*
Thus, line 4.7 = 4.8 – (4.1 + 4.2 – 4.3 – 4.4 – 4.6).

C. Investment Abroad by this Enterprise (Assets)

5. Transactions (during the quarter) and equity stocks (end of the quarter) held by your enterprise in non-resident enterprises.

Please complete this question if your enterprise holds equity or equivalent voting rights in non-resident enterprises:

- In *Column A*, please enter aggregate data for your holdings of equity or equivalent voting rights in non-resident enterprises that are each 10% or more (Foreign Direct Investment).
- In *Column B*, please enter aggregate data for your holdings of equity or equivalent voting rights in non-resident enterprises that are each less than 10% (Portfolio Equity Investment).
- To ensure we do not have to get back to you for clarification, enter *n/a* where not applicable.

See Notes 7-11, and 13. Please report in Thousands of Trinidad and Tobago dollars.

		Equity held by your enterprise in:	
		A. **Foreign direct investment (holdings each of 10% or more)**	**B.** **Other non-residents (holdings each of less than 10%)**
5.1	Book Value of Equity at beginning of the quarter		
5.2	Market Value of Equity at beginning of the quarter		
5.3	Purchases of shares in non-residents by your enterprise during the quarter		
5.4	Sales of shares in non-residents during the quarter (**enter as negative**)		
5.5	Valuation changes during period (due to exchange rate, market value, other) **(this is derived – see note below)**		
5.6	Book Value of Equity at end of quarter		
5.7	Market Value of Equity at end of quarter		
5.8	Dividends / branch profits received from non-residents during the quarter.		

To the respondent / data checker: *For Columns A and B, line 5.5 is a derived amount. It is arrived at after rows 5.2, 5.3, 5.4, and 5.7 have been completed. Therefore 5.5 = 5.7 – (5.2 + 5.3 + 5.4) where 5.4 can be negative*. In other words, 5.7 = 5.2 + 5.3 + 5.4 + 5.5.

6. Retained Earnings of Foreign Direct Investment Enterprises

If you answered Question 5 (Column A), you will need to answer this question.

Please aggregate total retained earnings attributable to FDI for your non-resident branches and subsidiaries for *the quarter*. This comprises non-resident enterprises in which you hold shares / voting rights in each of 10% or more. Please apply your FDI holding in percent to the total retained earnings in each, and aggregate. *See Notes 12 and 13, and report in Thousands of Trinidad and Tobago dollars.*

TT$ 000's

6.1	Retained earnings attributable to **Foreign Direct Investors** (holdings each of 10% or more)	

7. Lending by Your Enterprise to Non-Residents / Deposits Held Abroad

Please complete this question if you lend abroad, invest abroad or hold deposits abroad:
- Please supply *total stocks* (at market value) of *non-equity assets* at end of the quarter held with non-residents, *transactions* during the quarter and *valuation changes*, on long-term and / or short-term basis.
- *Please <u>exclude</u> domestic resident-to-resident lending in foreign currency or Trinidad and Tobago dollars.*
- To ensure we do not have to get back to you for clarification, enter *n/a* where not applicable.

See Notes 7, 14-18, and report in Thousands of Trinidad and Tobago dollars.

TT$ 000's

Lending to non-residents by your enterprise.		Debtor Institution Group								
		A. Lending to Companies in which you hold 10% or more equity		B. Trade credits to unaffiliated companies		C. All Other Lending		D. Currency & Deposit	E. Portfolio Investment	
									Bonds & Notes	Money Market Instruments
		A1. Long-Term	A2. Short-Term	B1. Long-Term	B2. Short-Term	C1. Long-Term	C2. Short-Term		E1. Long-Term	E2. Short-Term
7.1	Value outstanding at beginning of quarter									
7.2	Amounts lent abroad during the quarter (incl. credit sales)									
7.3	Amount repaid by non-residents during the quarter									
7.4	Principal arrears created during the quarter									
7.5	Interest and fees received during the quarter									
7.6	Other transactions during the quarter (debt forgiveness, re-scheduling, write-off, debt/equity swaps etc) Please specify...........									

7.7	Valuation and other changes during the quarter *(derived – see note below)*									
7.8	Value outstanding at end of quarter									

To the respondent / data checker. Please check that:

For all columns, line 7.7 is **derived** *once the other rows have been completed.*
Thus, line 7.7 = 7.8 – (7.1 + 7.2 – 7.3 – 7.4 – 7.6).

APPENDIX III   EXTENDED BALANCE OF PAYMENTS SERVICES (EBOPS) TABLES

1. BARBADOS: Extended Balance of Payments Services (EBOPS). 2002

2. BELIZE: Extended Balance of Payments Services (EBOPS), 2002 and 2003

3. ST.VINCENT AND THE GRENADINES: Extended Balance of Payments Services, 2002

4. TRINIDAD AND TOBAGO: Extended Balance of Payments Services, 2003