CARICOM Secretariat Statistical Unit – Implementation of Trade in Services Statistics

Final Report

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

May 2005

PREFACE

This report provides information on all activities of the Project *CARICOM Secretariat Statistical Unit – Implementation of Trade in Services Statistics*, executed jointly by the Caribbean Community (CARICOM) Secretariat and the CARICOM Trade and Competitiveness Development Programme, a USAID-funded Project operated in Bridgetown, Barbados.

The 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 C-TRADECOM. 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. This activity was incorporated as one of the deliverables in the CIDA-funded Project of 2001/2002 the background work of which was accomplished relative to recommendations of what Member States should do in developing statistics on International Trade in Services. The inclusion in this Project was to inform Member States as to how the recommendations should be implemented.

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 the Consultants on board and engaged in the execution of this activity along with the staff of the Secretariat and the host country participated in the process of 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 will be a useful source of 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.

(c) 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 executed. The outline was 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.

The Preparation of Common Guidelines for the Collection, Compilation and Dissemination of Statistics on International Trade in Service was designed with the following 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 on International Trade in Services the CTRADECOM Project has ended. 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 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 at **harrison@caricom.org** and copied to **crichards@caricom.org** and **dpersaud@caricom.org**.

ACKNOWLEDGEMENTS

TABLE OF CONTENTS

-Belize
-Jamaica
-St Lucia
D. FDI/FATS Files for
-St Vincent and the Grenadines
-Belize
-Jamaica
E. Trinidad and Tobago National Accounts Survey Forms
F. ECCB BOP Survey Forms
G. Trinidad and Tobago Business Register Update Survey Form
H. Recommended Classifications
I. Workshop Reports
J. Detailed Recommendations on Survey and Sampling

ANNEX 1 Consultants' Reports on Country Missions

List of Tables

1 INTRODUCTION

1.1 Background

The CARICOM Trade in Services Statistics Project is a continuation of the ongoing programme for the regional development of statistics on international trade in services. The primary goal of the project is to establish Common Guidelines to be used by member states for measuring trade in services - information on imports and exports of services, including direct foreign investment in the national economies – in order to have a better idea of the factors that contribute to their current account balance with the rest of the world.

The regional context of the project is the establishment of the CARICOM Single Market and Economy, 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. Critical to the implementation of the new activities envisaged, is the ability to collect data and related information on all services activities – both on production and trade. The capability to monitor performance and provide information to decision makers for the preparation of policy positions and to inform international negotiations is important.

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 most international trade agreements now cover goods and services.

The most far-reaching of these 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*, which provides the conceptual statistical framework for measuring trade in services. This Manual is the primary authority on the issues addressed in the present project.

1.2 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 following table shows trends in international trade in services in the region by major trading partner for the period 1980 to 2000.

Table 1 CARICOM Trade in Services Trends

Country	Imports % of total	Exports % of total
CARICOM	23	50
US	36	8
Europe	23	40
Other	18	2

The contribution of services to total regional GDP in 2002 was estimated at an average of 75%. With respect to international trade, over the period 1993-2002 services exports were estimated to have increased by 43% and services imports by 78%.

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, taking into consideration the critical factor of resource constraints. The recommended activities focussed 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.

The recommendations of the Situational Assessment Report covered six areas:

- International trade in services
- Domestic production of services
- Labour statistics
- Tourism statistics
- Foreign affiliates trade statistics
- Presence of natural persons

Selected points relevant to the CARICOM Trade in Services Statistics Project are given below, taken from the indicated sections of the Situational Assessment Report.

1.2.1 International Trade in Services [3.1.3]

Two consecutive steps for implementation should be made, with the first being improvements in what is now collected, and the second a move to widening coverage. It was seen that there were five specific areas for improvement in the statistics on international trade in services, as follows:

    i)   Deepening the level of disaggregation
    ii)   Direction of trade
    iii)   Treatment of the offshore financial sector
    iv)   Coverage of service statistics
    v)   Response rate

Step 1 Improvements in what is now collected

i) Deepening the level of disaggregation

Where Central Banks collect more detailed data than they publish, they should extract the detail, and make it available, subject to confidentiality constraints. This data should then be assembled so as to approximate to the GATS categories. More particularly, the aim should be to increase the detail of data that are collected and compiled, first to the level of detail of Extended Balance of Payments Classification System (EBOPS), including the memorandum items, and then to lower levels of detail to enable better comparison with the GATS categories.

ii) Direction of trade.

Special studies of businesses in selected groups should be carried out and, when feasible, specific questions in the standard surveys should be inserted and the data incorporated in the Balance of Payments compilations.

Data on the destination of exports should be collected so as to distinguish between service exports to the CARICOM region and the Rest of the World.

iii) Offshore financial sector.

Standardise the treatment of this sector within the region, through the adoption of consistent treatment.

Other businesses

The treatment of businesses, other than those in the financial sector, should be uniform, and treated as part of the domestic economy, even if they export 100% of their output, are tax exempt or subject to lower rates of taxation. They should simply be shown as exporting all their output.

Step 2 Move to widening coverage

iv) Coverage of service activities

New service activities should be identified systematically, by reference to an up-to-date business register. The coverage of surveys should be extended to cover the exports and imports of local service companies. Where collections target only the subsidiaries of multinationals, it is necessary to undertake enquiries and establish what products are exported by domestically owned businesses, and include them in the compilation of international trade in services statistics.

Decide whether this greater detail can be collected by the Central Banks, or should be collected by national statistical offices as part of the domestic production statistics programmes, depending upon the capacity, capability and resources of the agencies.

1.2.2 Domestic Production of Services [3.2.1.3 and 3.2.2.3]

Business registers
Resources should be provided to improve and update business registers, using either the population census frame as the new register, or by incorporating information from administrative records, to update the registers and improve the industrial coding of businesses.

Supplement this list from other sources to cover the supply of services by the self-employed and by those in the informal economy.

Production statistics
A step-by-step approach is recommended, so that existing data can be assembled and used, even as the data are enhanced.

Start by producing more detailed sector data. As soon as possible, the products produced by service sectors should be identified and related to three and four digit CPC Version 1.0 classes, and product data collected both for exports and imports.

Collect product data where the output of a sector is likely to consist of important secondary products. Until product data are available, use output by industry, according to the ISIC Rev. 3 classification.

Compile the output of services by sector in the broad categories of EBOPS to calculate, initially, the relationship between output, exports and imports.

(i) *Coverage and industrial detail.*

Improve the coverage and detail of service sectors in economy-wide survey programmes that provide data for national accounts estimates of production, exports and imports.

The results of surveys of household income and expenditure, and of the labour force, should be used, supplemented where necessary by information from special samples carried out in conjunction with the ongoing household surveys, so as to identify the self-employed and those businesses in the informal sector for which no information is available through tax or other administrative records.

(ii) *In-depth surveys*

Undertake in-depth surveys of particular groups of service sectors on a rotational, or occasional, basis starting with Tourism-related sectors. Other important sectors are Financial Services, Telecommunications, Information and Computer-related services; and Business and Professional services.

(iii) *Response rates*

Attempt to improve response rates and coverage, by use of detailed questionnaires for large businesses, and less detailed ones for small businesses. Institute intensive follow-up procedures to improve response rates, particularly for the larger firms sent questionnaires by mail, by means of personal or telephone contact where necessary;

(iv) Intractable sectors

Special attention should be given to Business Services provided by professionals, such as accountants, lawyers, architects and engineers, for which the response rate for statistical surveys is particularly poor, and little information is available from administrative sources, including tax records, or from their professional associations**;**

(v) Product detail

Explore at the earliest opportunity, the possibility of identifying the important products that each sector produces and systematically collect data on output.

(vi) Origin and Destination

Aim to improve data quality by reviewing and redesigning survey questionnaires, used both for balance of payments purposes and for the compilation of the National Accounts.

Explore the possibility of adding questions on the proportion of production revenue derived from exports and, in addition, request a breakdown by country of destination.

1.2.3 Foreign Affiliates Trade in Services (FATS) statistics [3.5.3]

Step 1 Inward FATS statistics

(i) Where information on foreign or domestic ownership on establishment questionnaires feature already, begin to compile gross output and exports from currently available data. Then move on to compile input and value added information.

(ii) Include a question about foreign or domestic ownership on the establishment questionnaires, if not already featured.

(iii) Collect data on the country or region of first ownership, to show data for the region separately from the rest of the world.

Step 2 Outward FATS statistics

(iv) Consider providing resources to a Member State, which has construction companies operating in other countries of the region, to undertake a pilot study of this

and any other relevant sectors, to understand the problems and difficulties of collecting outward FATS data for the region.

(v)   Eventually request supplementary information from all businesses presently being surveyed for outward Foreign Direct Investment statistics.

1.3 The key tasks of the CARICOM Trade in Services Statistics Project

As can be seen, the SAR recommendations covered a very wide range of activities. It was decided that the brief for the CARICOM Trade in Services Statistics Project should concentrate on the following four main activities, which are described in more detail in later sections of the present report.

1.3.1   Preparation of Common Guidelines for the collection, compilation and dissemination of statistics on international trade in services.

         The documentation of the Common Guidelines should inform Member States on to how to collect, compile, analyse and disseminate statistics on international trade in services, in the form of detailed recommendations that enable Member States exactly to implement them.

1.3.2   Review and compilation of existing data on worksheets to produce statistics on trade in services and investment flows, and the development of methods to fill the data gaps identified.

         Tables on trade in services should be compiled for Member States with as much detail as possible, based on information available from a review of the existing data.

1.3.3   Review survey instruments, questionnaires, data collection procedures, sampling methodology, including estimation methods and imputation for non-response, in order to facilitate the implementation of these procedures in Member States.

         This involves the production of a questionnaire format to be used in the collection of services statistics for both production and international trade. Documentation should be produced for 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.

1.3.4   Conduct national and regional workshops to sensitise and inform users, producers and suppliers of statistics on international trade in services.

         Prepare presentations for the workshops and report on those conducted.

1.3.5   Supporting activities to the above were to include the:

(i) Development of a Common Classification approach, extending the BPM5 to the EBOPS, including a process for selective introduction of product level details utilising the UN CPC, particularly with regard to the production of services.

(ii) Systems analysis, database design and application of IT, to be applied in the construction of statistical databases to analyse and disseminate detailed statistics on international trade in services and investment.

(iii) Presentation of a profile of the financial sector in the region, including offshore financial services.

1.4 The Project Team

The following team of consultants undertook the project:

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 and to some extent the other consultants. The reports of each Consultant are reproduced in Annexes. Their key recommendations are incorporated in the Chapter: 3 'Methodology: Recommendations'.

Recruitment of consultants:

Consultant	Date started	Date completed visits
Senior Consultant	Aug 04, 2004	(no visits made)
Regional Consultant	Aug 04, 2004	May 14, 2005
BOP/National Accounts I	Aug 04, 2004	Dec 09, 2004
BOP/National Accounts II	Sep 27, 2004	Dec 2004
Classifications Expert	Oct 22, 2004	April 20, 2005
Sampling & Surveys Expert	Jan 03, 2005	May 14, 2005
IT Expert	Nov 04, 2004	May 14, 2005
Financial services Expert	Feb 08, 2005	May 14, 2005

The smooth flow of project activities was affected by the passage of hurricanes in the region in September and then again in October, and also by the aftermath of the floods which affected Guyana in early 2005, which negatively impacted CARICOM's ability to organise for the workshops which as a result had to be postponed. The interruptions caused by the hurricanes, caused the cancellation of the country missions, which were to facilitate preparation drafting of

the common guidelines. The effects of these natural disasters combined with the later than scheduled recruitment of experts resulted in a concentration of work on the major deliverables during the latter months of the project.

1.5 Goal of the Common Guidelines

The *Common Guidelines* document presents a framework 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, they are designed to be guidelines on a harmonised system for all Member States. The Guidelines deal with implementation and methodology – how to carry out the work 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 specific compilation guidance that can be used throughout the region on how to implement selected statistical procedures recommended in the international manuals on services and emphasized in the 2001 Situational Assessment Report (SAR).

The Manual on Statistics of International Trade in Services (MSITS) identifies guidance on compilation as one of the areas in which further work is needed. In addition, the region is seeking statistical harmonisation in the development work on services statistics, and it therefore requires regionally agreed standards to underpin the establishment of a system for the production of these statistics. The *Common Guidelines* will assist in the achievement of this goal, and are intended to be used in conjunction with the manuals of the United Nations and the International Monetary Fund, particularly MSITS, the IMF Balance of Payments Manual (5th edition) and the System of National Accounts (1993).

The coverage of the *Common Guidelines* for measuring trade in services was informed by field visits during which an actual compilation exercise on services statistics of the Balance of Payments in select countries was conducted, using the Extended Balance of Payments Services (EBOPS) classification. This compilation was exploratory, and provided concrete detail on which to base the guidelines for the solution of problems that surfaced and identification of best practices to solve them.

1.6 Compilation activities in selected Member States

Compilation activities were executed by three of the consultants working with compilers of the national statistical agencies and central banks. Six countries were visited: Barbados, Belize, Jamaica, Saint. Lucia, St. Vincent and the Grenadines and Trinidad and Tobago. Following the missions to St Vincent and the Grenadines and Saint Lucia (members of the ECCB) a visit was made to the ECCB to discuss the findings of those missions. The compilation exercises made it possible for the consultants to gain first hand knowledge of the operational constraints to the statistical programme, the level of knowledge and technical skills involved, and explore with the officials the feasibility of proposals for improvement. The largest portion of time was spent with the central banks and statistical offices, examining worksheets, extracting data, often manually, and discussing various aspects of the statistical programmes.

2 KEY OUTPUTS

2.1 The Common Guidelines.

The Common Guidelines are an operational system and methodology for CARICOM Member States based on the recommendations of MSITS

2.1.1 Overview of the Common Guidelines

2.1.1.1 Framework for measuring trade in services

The *Manual on Statistics of International Trade in Services (MSITS)* sets out a newly defined framework for measuring trade in services. It is intended as a reference manual for the compilation and reporting of statistics on trade in services, and foreign direct investment. Trade in services – imports and exports of service products – 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). The MSITS is 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), and the compilation of Foreign Affiliates Trade in Services (FATS) statistics. Among the range of concepts and methodologies described in the manual, five core elements are recommended for implementation by national statistical agencies, on a phased basis according to the needs and priorities of their own countries.

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

2. Compilation of BOP data according to items in the EBOPS classification, 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 International Standard Industrial Classification of All Economic Activities (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.

Five other recommended elements are seen as a long-term goal. They are the:

- Completion of the EBOPS classification to the extent relevant to the compiling economy
- Compilation of additional variables for FATS statistics

- Collection of statistics on the presence of natural persons
- 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.

2.2 Compilation of Data

2.2.1 Compiling the BOP Current Account: Services

Goals

The goal of the *Common Guidelines* 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 on Statistics of International Trade in Services. In most countries of the CARICOM region the BOP classification of services now in use is BPM5. The extension from this to the EBOPS classification essentially requires three steps, namely widening the coverage of service industries, the expansion of product detail collected, and in some cases, realignment of the posting of data collected to specific service components.

The core service industries

Service industries of major interest to decision makers of the region were identified by the CARICOM Secretariat as indicated in the Advisory Group Meeting of the Caribbean Community. These "core" industries are listed in the *Common Guidelines*, along with the services product associated with those sectors.

- Transportation
- Business, professional and technical services
- Travel and Tourism
- Construction
- Insurance
- Financial services
- IT services: Communications, Computer and information services
- Personal, cultural and recreational services
- Distribution: Merchanting and other trade related services
- Services incidental to the energy industry and manufacturing

They cover all but two of the 11 broad categories of services listed in the BPM5 and EBOPS classifications. 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 for liberalization in on-going trade negotiations.

Policy analysts need information about the *industries* that produce and supply services and in analysing what proportion of domestic production is exported. Thus industry output should ideally be broken down into *product* outputs. Both domestic production and exports and imports should be compiled in the product dimension. However, in the absence of product information and until it is possible to collect and produce service product detail for comparing total output and exports, industry data will have to be treated as an adequate proxy for broad groups of service product data.

Internationally accepted EBOPS codes

The *Common Guidelines* give cross-references 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. A table is included to show the internationally accepted EBOPS code for each service item, and the contents of an item are shown with their corresponding Central Product Classification (CPC) codes.

The Common Guidelines then deals with each service sector in turn, describing in detail the data required and the means of obtaining it.

2.2.2 Approach for extending BPM5 to EBOPS

In each country, the existing BOP statistics were reviewed and then worksheets reviewed to obtain the additional details required for EBOPS. Although all of the six countries visited had already adopted the BPM5 version for compiling the BOP, Belize had the most detailed presentation of the BOP and in fact had most of the EBOPS details.

In order to fill in gaps in the EBOBS statistics countries will have to further disaggregate data already being collected and amend existing survey forms to capture additional details. A more medium term recommendation would be a comprehensive form review and design which would capture the additional details, allow for capturing information by major trading partners and also provide the platform for a common computerised compilation system. EPOBS tables for all six countries visited are in Appendix C

The further dis-aggregation needed under travel cannot be done from data now available, and this places great urgency on compilation of TSA which would generate the details needed.

In all of the countries data needs to be obtained on construction activity and to disaggregate between construction abroad and construction in the compiling economy.

Data needs to be collected to allow dis-aggregation between franchises and royalties

The category 'other business services' is the area where most of the additional work is needed. There is scant data on the various sub-categories particularly the various professional services. Interviews and other non-survey sources including public sector administrative and tax records will have to be relied on as a starting point for making estimates of those services transactions.

For all of the countries survey and non-survey methods will have to be introduced to capture the details necessary for education services 895, health services 896, and other personal, cultural and recreational services 897.

In St Vincent & the Grenadines, as in all the other ECCB member countries, the most detailed format of the presentation of the BOP needs to be adopted, so that EBOPS would merely be the services component of the BOP. Also miscellaneous shipping, airline and insurance related services had to be reclassified out of other business services 284 to other sea transport 208, other air transport 213, and auxiliary insurance services 258 respectively, and salaries and wages were omitted.

It was however not difficult, during the compilation mission to St Vincent & the Grenadines to go into the BOP worksheets and extract the additional details that were already being collected by the BOP survey but not required for compilation of the BOP in its present format. With collaborative efforts between the Regional Consultant and the IT expert following the mission to St Vincent & the Grenadines it was possible to generate the EBOPS table from the CEBOPS database. This should be pursued for all ECCB member countries to facilitate and ensure that compilation of EBOPS in those countries will be sustained beyond this project.

In the other countries visited, the EBOPS presentation is already used for presentation of the BOP, but subcategories as detailed above need to be populated with data.

2.2.3 Compilation of Foreign Direct Investment (FDI) data and Foreign Affiliates Trade in Services (FATS) Statistics

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 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

The *Common Guidelines* include chapters on recommendations for:

- CARICOM classifications for trade in services
- Survey, sampling and estimation techniques
- Using information technology (IT) to enhance BOP compilation
- Harmonized approaches

These recommendations are summarised in Chapter 3 of this report.

2.2.4 Treatment of offshore financial services in BOP and FATS statistics

Compilation missions revealed that there is no standard approach for classifying transactions of offshore banks and other offshore financial companies in the BOP. In all countries visited however they are treated as non-resident. In St Vincent and the Grenadines payments to residents for miscellaneous professional services, by offshore companies have been reclassified as legal, accounting, and other professional services on a prorated basis. In Barbados the issue is under review but receipts of residents from the offshore banks and companies continue to be treated as financial services.

The recommendation made during compilation missions is that offshore financial companies should continue to be treated as non-resident and that a final decision would have to be taken by CARICOM to agree on the treatment of receipts for professional services provided to those companies by residents.

2.2.5 Compilation of FDI and FATS tables

This is one project area in which considerable value added on capacity building at the national statistical offices resulted. While the issue with respect to FDI statistics in all of the member countries had to do with coverage, regarding work on FATS statistics only Trinidad and Tobago had done work in this area, to be able to provide a comprehensive list of FDI enterprises out of which the FATS subset could be generated. Reports from the project workshops in April/May indicated that the other countries visited have attempted to continue the developmental work in that area.

Review of the national accounts worksheets indicated that the variables to be compiled are available. However, confidentiality issues hampered consultants' work in some instances in delving into enterprise information. The emphasis during the missions, with the exception of St Vincent, therefore had to be on guidance and recommendations with respect to development of the data collection and compilation framework and definition of the variables to be compiled.

For presentation of statistics for FDI enterprises and FATS the ICFA format recommended in MSITS was used. The ICFA tables for St Vincent and the Grenadines, Belize and Jamaica are attached in Appendix D

The recommendations with respect to customised CARICOM classification systems detail a CICFA (CARICOM International Classification for Foreign Affiliates) table, which is to be reviewed by the CARICOM Secretariat. See Appendix H for table.

2.2.6 Implement Ultimate Beneficial Owner (UBO) as soon as possible

Compilation of information on the country of ultimate beneficial owner of foreign affiliates in the compiling economy rather than the country of the immediate investor (when the two are different) is recommended by MSITS on page 60 paragraph 4.30. MSITS however goes on to recommend use of the latter if data on country of UBO proves difficult to obtain.

Only by maintaining a comprehensive business register will countries be able to compile statistics on country of UBO. Trinidad and Tobago has a fairly comprehensive business register out of which this information can be generated. Development work in that regard has continued since the country missions and the Trinidad and Tobago registers has been recommended as best practice for guidance.

2.2.7 Temporary presence of foreign affiliates

For most of the countries, work on compilation of FATS statistics did not go beyond development of the business register to generate the FDI/FATS register during the missions. It was however pointed out that data on temporary employment of non-residents by foreign affiliates would be required as supplementary information for estimating mode 4 supply of services and may require a minor amendment to the national accounts survey form.

2.2.8 Sales to affiliates

It was not possible to do work on sales to affiliates during compilation missions, because with the exception of Trinidad and Tobago, none of the Member Countries has started work on compilation of statistics on FATS variables, so the available time was spent on introducing the topic to national compilers and giving guidance on how to compile a comprehensive register of FDIs out of which the FATS subset can be generated. Work in that regard was very successful and based on reports at the workshops it is evident that there has been developmental work since the missions. Compilation of this data will also require a minor amendment to the national accounts survey form.

2.2.9 Allocation to the four GATS Modes of supply

There was no time during compilation missions to work on the GATS Modes of supply; however the Regional Consultant addressed it during the presentation at the workshops.

In particular the following rough approach was recommended as a starting point based on the recommendation of MSITS as follows:

The BOP components transportation, communication services, insurance services, financial services, royalties and licence fees may be allocated to mode 1.

The BOP components computer and information services, other business services, personal cultural and recreational services may be split between mode 1 and 4 depending on details available.

The BOP travel component excluding expenditure on goods corresponds to mode 2. The BOP labour income component provides information for estimating mode 4.   Generally FATS statistics provide information for mode 3. See following table.

Table 2 GATS Modes of Supply

Mode of Supply	Relevant Statistical domains
Mode 1: Cross border supply	BOP: Commercial Services (excluding travel and construction services)
Mode 2: Consumption abroad	BOP: Travel
Mode 3: Commercial presence	FATS statistics BOP: construction services FDI data
Mode 4: Presence of natural persons	INSUFFICIENTLY COVERED BOP: commercial services excluding travel BOP: compensation of employees and workers remittances Other sources: Records on work permits issued, employment data from FATS broken down between residents and non-residents

2.2.10 Confidentiality and data suppression

The number of establishments in a sector is a critical issue to national statistical compilers in small economies from two standpoints: a) Confidentiality; and b) The methodology for collecting data.

For statistical purposes, sectoral information cannot be shown when there are few establishments and therefore, establishment information can be easily identified or estimated.

The decision on the methodology to be used on whether all establishments can be interviewed in one activity, or whether probabilistic or non-probabilistic samples have to be analyzed for each country, depends on the final number of establishments per strata after the largest have been selected.

Therefore, for some countries and some sectors, information has to be aggregated to be able to present the results.

2.2.11 Indicators for key service sectors

The following is a list of some of the key indicators, which assist with estimating activity for some of the major sectors/subsectors in the economy and some of which were discussed with national compilers during compilation missions:

Table 3 Indicators for Services

Subsector	Indicator
Central Bank	Number employed
Commercial banks	Weighted index of interest rates
Finance and Merchant banks	Simple average index of interest rates on deposits 1-3 years and instalment loans
Trust and Mortgage Companies	Simple average index of interest rates on Residential and Commercial interest rates
Development bank	Number of loans disbursed Weighted index of Residential and Instalment interest rates

Subsector	Indicator
Building Societies and Credit Union	Number employed
Financial Institutions	Weighted index of interest rates Volume of shares traded Number of units holders Simple average index of interest rates on Residential and Commercial interest rates
Insurance Companies	New policies
Real Estate	Combined weighted index - Index of retail prices of building materials and index of minimum wage rates of construction workers
Dwelling Services	Index of retail prices
Professional and Technical Services	Index of retail prices
Advertising	Index of retail prices
Miscellaneous Business Service	Index of retail prices
Machinery and Equipment Rental	Index of retail prices
National Insurance Board	Benefit payment – Number of transactions
Investment Housing Companies	Index of retail prices
Service Contractors	Index of Rig Months
Bulk Distribution	Volume of Inland Sales
Retail Distribution	Volume of Sales to Service Stations
Distribution and Transmission of Natural Gas	Volume Gas Company
Electricity and Water	Quantity of Kilowatt Hours Generated- Quantity of Cubic Meters of Water Produced
Construction	Weighted Composite Index of Retail Prices of Building Materials and Minimum Wage Rates for Construction Workers
Distribution	Modified Index of Retail Prices
Hotels and Guest Houses	Weighted Composite Index of Food, Drink and Tobacco and Index of Average Room Rate
Transport Storage and Communication	Number of passengers carried
Taxi services and rental cars	Number of registered taxis and rented cars
Trucks	Number of registered goods vehicles
Shipping lines	Price Index, cargo throughput
Port Authority	Tonnage of Cargo Handled
Airlines	Revenue passengers carried
Airports	Price index Number of passengers who paid departure taxes
Service Ancillary to Transport ' Travel Agents, Customers Brokers	Air departures Average Unit value of imports Price index
Storage	Price index
Telecommunications	Number of call units for local and international calls
Post office and courier services	Mail parcel post - Quantity handled
Radio and TV broadcasting	Price index
Government	Numbers employed Expenditures
Educational and cultural community services	Number of teachers employed Expenditures Number of students enrolled

Subsector	Indicator
Private sector education	Index of retail prices
Personal services	Index of retail prices
Private Final consumption expenditure	Index of retail prices
Government Final consumption expenditure	Numbers employed in teaching service and rest of general government Index of retail prices Implicit price index
Exports of goods and services	Average unit value of merchandise exports Price index for travel and other transportation current prices - constant prices
Imports of goods and services	Average unit value of merchandise imports Price index for travel and other transportation current prices - constant prices
Gross Capital Formation	Weighted index of building materials and minimum wage rate of construction workers Price index for machinery and transport equipment Drilling expenditures Changes in stocks

2.2.12 Methodology for filling the gaps

Statistics for trade in the region have to be comparable in terms of their concepts, and in the quality and validity of their estimates. An effort will have to be made to harmonize the CARICOM sampling procedures.

The National Accounts and balance of payments use information from several sources of data, for example:

1. Surveys of enterprises and establishments
2. Household Surveys, such as Labour Force Surveys and the Income and Expenditure Surveys
3. Surveys of people, such as Surveys of Foreign Students and Exit Surveys of Foreign Visitors
4. Censuses (of population, economic and agricultural activities)
5. International transactions reporting systems
6. Administrative and official data and
7. Information obtained from partner countries and international organisations.

2.3 Surveys

2.3.1 Surveys of Establishments

Surveys of establishments in the CARICOM countries exhibit the following weaknesses that must be addressed:

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 sizes are not calculated based on statistical requirements
5. Samples do not always follow the basic statistical rules
6. The precision of estimates is not calculated.

Therefore any estimate for the population will be equal to the sample estimate plus an error, the size of which and its behaviour are unknown.

A good survey differs from a bad one when 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.

The analysis focussed on 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 business owners return approximate data instead of reporting accounting figures
4. A process for reviewing the questionnaires
5. "Short cuts" to be avoided in data collection procedures
6. How to use proper estimation techniques and improve other sources of data.

2.3.1.1 Sampling frame

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 Social Security, the VAT system, Chambers of Commerce, professional services and marketing associations, telephone books, and other sources be used to create a database. This would list establishments and include enough information to be able to improve sample selection and to control for non-response, including:

1) Serial number
2) Industry type and sector
3) Geographical codes and enumeration district (census data)
4) Number of employees or codes
5) Year of beginning of operation, year data collected and year the company ceased operation, where applicable
6) Active or inactive
7) Type of legal ownership:
    a) Individual Proprietorship
    b) Partnership
    c) Private Limited Liability Company/Registered Company
    d) Public Limited Liability Company
    e) Government
    f) Co-operative

g) Foreign company operating an unincorporated branch in the country
h) Any other type of entity
8) Source of data
9) Other useful information.

Trinidad & Tobago has a good example of an establishment register survey form, which is sent to establishments once a year or contact is made with them, by phone or e-mail, to update the registration.

The list of establishments in the database can be stratified by sector and by size, in terms of the number of employees. Stratification will help to:

1. Improve the accuracy of the data
2. Include, with certainty, those establishments that account for 60% to 80% of the income or revenues of an economic sector
3. Develop a "must" list of the largest establishments, which can be contacted using intensive follow-up procedures to obtain responses
4. Check for sampling procedures for the smaller establishments
5. Decide on different selection procedures for each stratum. For example a sample may not be set for in one or two strata; set different sampling fractions for each stratum; set different probabilistic or non-probabilistic sampling procedures; and vary the cut-off methods.

It is also recommended that companies, which have become inactive during the study be kept in the databases, but that a control be included that identifies "active" and "non-active" establishments.

2.3.1.2 Sectors that do not require sampling

Where a sector has a very small number of establishments, sampling is not needed.

2.3.1.3 Response rates

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

In order to set up a participative strategy to solve this problem, it is important to consider the reasons for non-response. The analysis pointed to three areas:

1. Those who have to provide the information. It is necessary to analyse the motivation strategies, such as one-on-one contacts; ways to assure confidentiality of the data they provide; to gain their interest, for example, by sharing study findings; and to impose legal penalties.

2. Those who decide on the procedures for data collection. The design of a study from a "client perspective" was discussed, whereby the capacity and the information systems used by management in the organisations are taken into account.
3. The instruments and procedures used to collect data. This focuses on the content of the questionnaires, the sampling approach and the field work.

A distinction must be made between non-response and non-interview. Non-response can either be a refusal to provide information, or the inability to do so, or because the questionnaire was lost. On the other hand, non-interview includes those establishments that ceased operations and branches that have not been located. Non-response rates are greater than 30% in almost all the CARICOM countries, and when lower non-response rates are reported it is sometimes the case that non-responding establishments in the sample are replaced with others.

The main goal is to stabilize the response rates in all types of survey. Several approaches can be used, for instance, by combining mail surveys with interviews or telephone calls, by sending out reminders, or even gifts. Significant decreases in non-response rates can be also be achieved by field visits. It is also better to have a good annual survey with a non-response rate of less than 30%, than four quarterly surveys with higher non-response rates. A control format was prepared in MS Excel to deal with non-responses and recommendations made on how to estimate data gaps resulting from non-response by duplicating information from previous surveys, changing weights for extrapolation, or using sub sampling.

2.3.1.4 Questionnaires

CARICOM countries are using different questionnaires for data collection, which have different contents.

For balance of payments purposes, Barbados uses 8 forms; Trinidad 16; Saint Lucia, St Kitts, St Vincent, Grenada, Antigua, Dominica, Montserrat and Anguilla, 17; and Belize 18.

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

A table was prepared in MS Excel comparing the content of different forms used in those countries as the basis for preparing prototype questionnaires. Before designing the prototype questionnaire, it is vital to understand the information that is needed, the format of the outputs required, the level of dis-aggregation desired and the environment in which the survey will be undertaken.

The design of such a prototype questionnaire for the collection of production and trade aspects of service statistics will require intense work and technical discussions with the officials of the countries which are going to use it. Meanwhile questionnaires should be used based on those identified as best practice. These appear to be:

1) Trinidad & Tobago for the National Accounts Forms (both the large and the small versions). Appendix E

2) St Kitts for the Balance of Payments Forms Appendix F. This takes account of the fact that other countries are using the same forms, including Saint Lucia, St Vincent, Grenada, Antigua, Dominica, Antigua, Dominica, Montserrat, and Anguilla.

2.3.1.4.1 Recommendations for Questionnaires:

1. Develop four questionnaires for:
   a) National Accounts for large establishments
   b) National Accounts for small establishments
   c) Balance of payments for large establishments
   d) Balance of payments for small establishments
2. Conduct an analysis for selected countries of the classification currently used to collect data compared with the classification table agreed. National compilers of the National Accounts and the Balance of Payments should be involved in this analysis
3. Use one or two countries as a basis for the comparison.

2.3.1.5 Sampling Procedures

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

1. A probability or a non-probability sample. The possibility of installing a formal probability sample should be considered, in which each establishment will have a known chance of selection.
2. The selection of large establishments only. The method of cut-off is inherently biased, as the resulting sample does not include any data on the smaller establishments below the cut-off size. This method does not identify the measurement of significant changes in size, which is often a major objective, and during periods or rapid change can result in misleading results.
3. Sampling the activities of smaller numbers of establishments. The number of establishments is an important feature for small economies were employment in any activity is very low and there is no point in making rigorous sampling selections within specific activities. An exercise was undertaken for some of the countries visited.
4. Sample size defined by straightforward judgments. The sample has to be defined in technical terms as well as based on minimum useful size. A researcher must decide, in advance, how much information will need to be extrapolated from the data, in order to determine the size of the sample needed to achieve a given level of accuracy. A practical guide was provided for calculating sample sizes.
5. Sample structure and stratification. When establishments are stratified by size, the distribution obtained can be highly skewed because the relative contribution of the small establishments to total value added is very low. Grouping similar establishments in strata by number of employees is a basic principle that increases the efficiency of the sample by reducing the standard deviation of the estimates. Stratification also improves response rates and gives an option for treatment of non-responses, if appropriate weighting estimation procedures are used. Here a proxy indicator, such as the number of employees engaged can be used
6. Selection procedure. Examples were presented using equal probability and probability proportional to size.

7. Combination of sampling approaches. The same general rules can be applied to the sampling process, but different types of approaches can be performed depending on the activity and the strata.

2.3.1.6 Sample Estimation

Where the sample selection is based on the theory of probability, then the estimated results must be based on the probability of selection. Such estimates must relate to the sample estimates and the right extrapolation procedures must be used. Estimates have to be comparable among different surveys and over time. Some types of transactions may be estimated from more than one data source, and such information can be used to:

a) Cross-check the data on individual establishments and on the global results for some activities
b) Improve non-response rates, and
c) Make imputations of the missing data.

The quality of data may be further improved by reducing the number of cases requiring imputations. However, a system to control of imputations has to be put in place. Imputations can be made by:

a) Using data for establishments from previous surveys
b) Using data from other sources for the establishments
c) Calculating averages of groups of similar establishments.

When a sample is used, the precision for the particular estimate has to be calculated. An MS Excel computer format was presented with the formulae needed to calculate sample precision, the relative standard deviation and the 95% confidence level interval.

2.3.1.7 Recommendations for Establishment Surveys:

1. Improve the response rates
2. Once the response rate has stabilised, follow up the non-responses
3. Create a database with a unified and up-dated list of establishments
4. Use stratification (by size of establishment) in sample design and for controlling responses
5. Calculate sample sizes according to the information needed and the number of establishments by sector and by strata
6. Define the sample procedures according to the number of establishments by sector and by strata
7. Calculate sample estimates according to sample design and calculate the precision of estimates.

2.3.2 Survey of foreign visitors

Exit surveys are an important method for calculating expenditures of tourists based on international visitor arrivals and their expenditure. However, unless the questionnaire is well

designed the use of the results is limited. Member States now use a purposive sampling method with limited quality control in relation to sampling conditions.

Trinidad and Tobago conducts five or six Exit Surveys each year with approximately 500 interviews. Questionnaires are used for passengers leaving the airport at Trinidad (though not in Tobago) and for some cruise liners (which are less frequent).

The last Exit Survey in St Kitts & Nevis was conducted in 2000. Tourism officials there suggested that since then occupancy rate has doubled and the expenditure patterns have changed.

The Central Bank of Belize and the Tourism Board conduct Exit Surveys every three years, and the last one was in 2003. The survey of stay-over visitors was conducted over a period of seven months, each one being for a one-week duration, and covering the International Airport and the land borders. A survey of cruise ship visitors was also conducted.

2.3.2.1 Recommendations for Exit Surveys of foreign visitors:

1. Review the goals of the survey
2. Design a simple and practical questionnaire applicable to three areas:
    1) for passengers at airports
    2) at the borders (in the case of Belize); and
    3) for cruise tours
3. Build a sampling frame of flights, cruise tours by type and borders (for Belize)
4. Review the coverage of places according to transit numbers
5. Design a sampling survey, using a two-stage and stratified sampling procedure
6. Select the primary sampling units (flights, borders and cruise tours)
7. Decide on the process for selecting tourists and passengers
8. Define a control on the selection of tourists and passengers
9. Develop efficient plans for field work
10. Define the methodology for estimating results
11. Define the methodology for controlling non-response rates

2.3.3 Household Surveys

CARICOM countries conduct regular multipurpose household surveys designed with the primary objective of providing up-to-date data on the labour force and other subjects of interest, on a continuous basis. These surveys have been often revised and international technical assistance has been regularly provided. In four out of the five countries visited, the most recent revision was based on data derived from the 1990 census.

These surveys are based on a stratified cluster design of sample in which clusters are households and enumeration districts. They usually have a self-weighted estimator using population estimates and sub samples for the rotation panels.

In Barbados, there is a quarterly survey and the Ministry of Labour conducts surveys and other studies. There is a National Productivity Council.

Saint Lucia uses the quarterly labour force survey and a separate survey of employers. Other CARICOM countries also conduct quarterly surveys.

Saint Lucia is planning a Standard of Living Survey for 2005, which is an expenditure survey.

The Trinidad & Tobago survey comprises 2,717 households spread across all administrative areas. Two survey instruments were used. The first has a questionnaire covering such areas as demographic and socio-economic characteristics, expenditure on accommodation, additions and repairs, furniture, furnishings, household equipment, household operation, home grown produce, clothing and footwear, personal and selected services, transportation, vehicle maintenance and repair, other expenses, other disbursements, and income and other receipts. The second survey calls for a diary to be kept recording daily expenditures over a two-week period.

The following recommendations were prepared and discussed with the participants of the Regional and National workshops attended by National Officials.

2.3.3.1 Recommendations for household sample surveys:

1. Up-date the sampling frames and take this opportunity to reweigh the primary sampling units
2. Review the specific sampling technical issues in some other surveys, such as, the response rates, the formulae for estimating results and the precision of estimates.

The participants of the workshops made a general recommendation that training courses on sampling methodology, geared to their own particular sampling problems, should be organised.

2.4 Common Classifications for CARICOM: Approach to classifications and specification

2.4.1 Background

The role and nature of international classifications is made clear in the CARICOM publication "CARICOM'S Trade in Services", 1990-2000, July 2002 and a key underlying document, "Strengthening the Capacity of National Authorities and Regional Organizations in Respect of Services Statistics" of November 2001 ("Situational Assessment").

It is not intended to retrace this material, nor the application of key classifications for trade, for output, or for investment across all the CARICOM's member states. This was assessed in detail now some three years ago. Quite clearly, recent visits have shown some more recent applications and expansion in use, which have since taken place, such as in Belize and Trinidad.

At the same time, a more coherent and flexible set of classifications is required if the family of figures on services trade is to be organized for policy and other analytical use by the region.

Specifically, when proposing contents of the Common Guidelines, the CARICOM Secretariat Statistical Unit asked that a harmonized or 'common' approach to classifications be devised and documented for use in the region.

Still more particularly, a common approach would take fully into account the international classifications such as the Extended Balance of Payments in Services (EBOPS), the International Standard Industrial Classification (ISIC), the General Agreement on Trade in Services – GATS (GNS/W/120) and the Central Product Classification (CPC) when common classifications were specified. Where product level details were required, as to cover core sectors identified by the project team, use would be made of the CPC; and the most current versions of the international classifications would be taken into account. Lastly, specifications would need to cover all services categories.

2.4.2 Regional classifications and their specification

Two general goals, coherency and flexibility, were in view in developing specifications here. A perennial shortcoming for users has been the limited ability which classifications have to relate or 'talk' to one another, which is not surprising, as they do not have the same conceptual foundation or structure. For example, exports are product-based, while output/sales/revenues of the producer are organized by industry. Industry members often have secondary products that would be allocated to a different code if they were the main output. Or again, some trade is the domestic production of a host country (known as Mode 3 or FATS) when the legal classification of the WTO is used. Such transactions are altogether out of scope for compilers of the National Accounts and Balance of Payments who are limited essentially to cross-border trade.

The specific approach here has been to build three reference classifications with enough detail to link over to the others – not perfectly, not completely backwards and forwards, but to offer some interoperability as between EBOPS, GATS and ISIC. Because there is a fair amount of detail at this level, it is seen as a target. More practically therefore, a higher -level breakout is suggested as a standard level of reporting for three summary classifications based on the respective reference schedules. By 'based on' is meant a somewhat less exact correspondence for some categories than may appear in the reference classification. The core sectors for CARICOM have been identified - by underlining - within each reference and summary schedule.

The suggested regional classifications are as follows:

2.4.2.1 CCEBOPS (CARICOM format for EBOPS)

This is the key classification for trade flows between residents and non-residents. Its breakouts for some categories are limited and were accordingly expanded by specifying CPC codes to link with categories of the Simplified Relationship for the GATS classification and to a lesser extent, the ISIC categories for foreign affiliates or ICFA. (All CPC specifications are on version 1.0 as the UN has still to correlate CPC 1.1 with EBOPS). A preliminary task was the specification of CARICOM's core sector in terms of EBOPS and CPC detail where needed.

2.4.2.2 Summary – CCEBOPS (CARICOM format for EBOPS)

This shows 17 core and 10 other breakouts.

2.4.2.3 CGATS (CARICOM link with GNS/W/120)

This schedule follows the format and coding of the GATS list used by trade negotiators; it follows the Simplified Relationship of the Situational Assessment and has some further modifications, (including CPC's) to better link with EBOPS and ICFA. Core sectors again are identified, though there is a separation of components in some cases.

2.4.2.4 Summary - CGATS (CARICOM link with GNS/W/120)

2.4.2.5 CICFA (CARICOM format for ICFA/ISIC)

This is the only industry- or activity-based schedule of the three reference classifications, the other two being product-based. Its role is to classify FATS, but as FATS will usually take longer to develop, the Manual on Statistics of International Trade in Services (MSITS) recommends using foreign direct investment (FDI) figures as a proxy (over and above any use as a measure of investment as such). It is recommended here that the CICFA be used to classify both FATS and FDI information.

The ICFA, like the EBOPS, is a modification of the annexes appearing in MSITS. The ICFA table of MSITS is essentially a summarized selection from the extensive ISIC 3.0 listing of industries particularly adapted to show industries, which produce services, but also goods as nearly all sectors can produce or buy services. The CICFA table makes a rearrangement of the ICFA in pursuit of inter-comparability and identification of CARICOM core sectors. It has been updated to show the ISIC components on version 3.1. Version 3.1 varies little over all from its precursor, 3.0.

2.4.2.6. Summary - CICFA (CARICOM format for ICFA/ISIC)

2.4.2.7 CARICOM – Core Sectors

In addition a table identifying the CARICOM – Core Sectors with EBOPS coding was presented.

All seven tables are attached as Appendix H.

2.5 Workshops: Synopsis of Proceedings and Findings

The objective of the workshop was to train practitioners to sustain the data compilation, on estimation/imputation for non-response, register building and maintenance process, and international statistical classification issues. Some sensitization of users and producers of statistics and was also sought, and importantly, feedback on the draft Common Guidelines was sought at the workshop.

The regional consultant, IT expert, survey and sampling expert, financial sector expert were facilitators at the three workshops. The classification expert attended only the regional workshop and one national workshop in St Vincent & the Grenadines. The Senior Consultant and the BOP/National Accounts Consultant I did not attend any of the workshops.

Generally, the approach to the workshops was to move from the opening ceremony to introductory remarks and project information, then to present the technical framework and recommendations with respect to core sectors, draft Common Guidelines, specific sector treatment, CARICOM classification regime, survey and sampling techniques, IT recommendations. Experiences and findings of country compilation missions were then presented with input from the national compilers from selected countries visited.

The workshop reports are attached in Appendix I

2.5.1 Regional workshop in Barbados

The regional workshop was held in Bridgetown, Barbados April 11 to 13, 2005.
Participants at the workshop were drawn from national statistical offices, Central Banks, from CARICOM member sates and associate member states, private sector, research institutions in the region and other users of statistics in the region.

Presentations on key issues and sectors related to the compilation of statistics on trade in services were made by private sector representatives

2.5.1.1 Regional Workshop Summary Recommendations

1. The recommendations with respect to a common classification system for CARICOM would take into consideration all of the issues coming out of the workshop discussions on this presentation
2. The consultation process would have to continue before the list of core sectors and Common Guidelines can be finalized. Issues relating to highlighting of security services and yachting services as core, which were raised will receive special attention in the finalization process.
3. With respect to Surveying of Services Sectors and Estimation and Imputation Procedures, member countries would increase efforts in implementation recommendations for improvement that continued training in that regard would be required, and that additional resources are required by the Statistical Offices. The need for further consultation with national Statistical Offices towards the design of common survey forms was also agreed to.
4. While some questions of presentation and format will have to be reviewed by CARICOM, the proposed classification schedules seemed overall to be well received, realizing that not all material could be covered fully, nor widely implemented in a short period
5. With respect to IT Implications it was agreed that further work was necessary towards design of a common survey form to serve as the platform for development of a computerized system to be used by all member countries. In that regard it was agreed that the ECCB model was very instructive and could be used as a starting point to be developed on.
6. The need for continued inter-agency coordination and collaboration as recommended in the precursor project was recognized, and the participant from the ECCB indicated that

some level of priority would be given to working along with the project to facilitate computer generated EBOPS statistics out of CEBOPS from as early as during the BOP compilation exercise in 2005.

2.5.2 National workshops

The national workshops were held in St Vincent & the Grenadines April 18 to 19, 2005 and in Belize May 12 to 13, 2005, respectively.

Both national workshops had a strong PR appeal and though following a similar programme to the regional workshop, emphasized the compilation experiences in both countries.

The following is a summary of issues and recommendations coming from the national workshops:

2.5.2.2 St Vincent & the Grenadines

a. Discussions

1. While the list of core services sectors presented was accepted, suggestions relating to further review of care sectors were made. E.g. it was suggested that yachting could be a core sector for St Vincent.
2. There was an interesting exchange regarding the treatment of 'foreign' accounting firms like Price Waterhouse and KPMG operating in member countries. The information coming out of the discussions suggest that they would be best treated as domestic companies. It was however cautioned that the ownership structure of the particular company, and how it relates to 'partners' would have to be researched before a determination is made.
3. The need for further research to inform the treatment of insurance companies – FATS vs. agencies was raised.
4. With respect to the recommendation of MSITS that term-life insurance be reported as other direct insurance rather than life insurance, and the difficulty it was felt that disaggregating this component from life insurance data posed, the CLICO representative advised that this dis-aggregation is already available in their records and could be provided. It was agreed that discussions would be held with other life insurance companies in that regard.

b. Recommendations

5. That the consultation process would have to continue before the list of core sectors and Common Guidelines can be finalized.
6. With respect to Surveying of Services Sectors and Estimation and Imputation Procedures, that member countries would increase efforts in implementation recommendations for improvement, that continued training in that regard would be required, and that additional resources are required by the Statistical Offices. The need for further consultation with

national Statistical Offices towards the design of common survey forms was also agreed to.

7. With respect to IT Implications it was agreed that further work was necessary towards design of a common survey form to serve as the platform for development of computerized system to be used by all member countries. In that regard it was agreed that the ECCB model was very instructive and could be used as a starting point to be developed on.

8. The need for continued inter-agency coordination and collaboration in sourcing of funds and provision of technical assistance as recommended in the precursor project.

2.5.2.3 Belize

a. Discussions

The representative from the Chamber of Industry and Commerce expressed the following views:

- The report coming out of this project should be sent to the Chamber as well
- Low survey response rate had partly to do with design of survey, perception by private sector that there was nothing in it for them, and also held the perception that data provided can end up with the tax department.
- The private sector views the work of the Statistics Department as very important but needed incentives, in the form of reports etc. in order to more willingly respond to surveys, particularly when data requested is not easily available

In reply, the Chief Statistician agreed that more data packaging for business users was needed and undertook to address this deficiency, as he was supported by his colleagues at the workshop that low survey response rate was the major problem faced by the Central Statistics Department.

Regarding work on the TSA the Chief Statistician indicated that this was being dealt with as an offshoot of the National accounts compilation and that despite limited available funds workshops were held to sensitize stakeholders and one training workshop was held for the staff of the Statistics Department.

The Programme Manager Statistics, CARICOM then pointed out that progress with the search for funding was slow, and interest by member states was slow, however the CTO is assisting in that regard

With respect to visitor exit survey, Belize sheared its modest success story with inviting cruise passengers to post the completed questionnaires on their return home

Discussions relating to emerging trends in privatization of health care pension schemes mentioned in the presentation on Profiling of the Financial Sector concluded with the agreement that such a trend requires training of the private sector so that schemes can be independently and professionally managed. Other issues raised on this topic had to do with the dwindling size of pension funds and a possible solution to this by importing foreign labour or by increase in natural population growth.

b. Summary of Closing Remarks

In addition to the words of thanks by Ayanna Young Marshall, C-TRADE COM, Timothy Odle CARICOM, Belizean representatives expressed thanks for the pressure placed on it by the project to do the work, but admitted that some more understanding of the work is needed as some of the areas were new. The Programme Manager Statistics, CARICOM then gave an undertaking that sustained efforts to enable the work to continue was a priority of CARICOM and that interagency collaboration in Belize was also important in that regard. She also pointed out that on its own Belize had already extended its BOP to EBOPS and because of its leadership Belize would be invited to accept persons on training attachments from other Member States.

Azucena Novelo, Economist Central Bank of Belize ended by warning that compilation work would continue through enhancing productivity of existing resources rather than through additional allocation of already limited resources.

c. Recommendations

1. The Common Guidelines were generally accepted.
2. With respect to Surveying of Services Sectors and Estimation and Imputation Procedures that member countries would increase efforts in implementation recommendations for improvement that continued training in that regard would be required, and that additional resources are required by the Statistical Offices. The need for further consultation with national Statistical Offices towards the design of common survey forms was also agreed to.
3. With respect to IT Implications it was agreed that further work was necessary towards design of a common survey form to serve as the platform for development of computerized system to be used by all member countries. In that regard it was agreed that the ECCB model was very instructive and could be used as a starting point to be developed on.
4. The need for continued and strengthened interagency collaboration within Belize to continue representatives of the Central Bank of Belize and the Chief Statistician underscored the compilation work started under this project respectively.
5. The need for continued inter-agency coordination and collaboration in sourcing of funds for further work and provision of technical assistance.

3 METHODOLOGY: RECOMMENDATIONS

This Chapter gives an overview of the principal recommendations on methodology that are included in the Common Guidelines and the recommendations of the Experts/ Consultants. Consultant's reports are in Annex 1.

3.1 The Common Classification System for CARICOM

The recommended common classification system for the CARICOM services statistics has been built on three international reference classifications. They are the:

1. Extended BOP System, or EBOPS, taken from The Manual on Statistics of International Trade in Services (MSITS)
2. GATS Sectoral Classification List, and
3. International Standard Industrial Classification of All Economic Activities (ISIC).

The full recommendations are reproduced in the Classification Expert's Report, together with the detailed listings in each classification in Appendix H

The recommended classification for services products is the CARICOM format for EBOPS (or CCEBOPS). This is the key classification for trade flows between residents and non-residents. Its constituent parts indicate the specific the UN Central Product Classification (Version 1.0) codes, which can be linked to the GATS Sectoral Classification, and (to a lesser extent) the ISIC codes for activities (see below). A summary table is also supplied which shows which sub-sectors the core services categories contain and also the non-core sectors. It provides an overview of how the many sub-sectors are grouped.

The relationship of the classification to the GATS classification is shown in the CGATS list. It links the CCEBOPS with the GNS/W/120 Sectoral Classification list, following the latter's format and coding. It indicates the links with EBOPS and the service sector activities codes taken from MSITS, known as ISIC Categories for Foreign Affiliates or ICFA. A summary table of this listing is also provided for a convenient overview.

The CARICOM format for ICFA, which includes a sub-set of industrial codes most relevant to services production, is incorporated in the CICFA activity classification. Because it is recognised that it will take time to develop the full FATS set of indicators proposed in MSITS, the recommendation allows for certain elements of FDI data to be used as a proxy meanwhile. Hence it is recommended that the CICFA classification be used for both FDI and FATS information. In order for the inter-operability and identification of CARICOM core sectors to be made, the CICFA table shows an appropriate rearrangement of the ICFA table of MSITS. Again in Appendix H a summary table of this listing gives an overview.

Thus, a standard level for reporting would serve as a starting point. Where further region-wide detail is called for, or if countries have specific priorities, one would move to the reference level. This is not meant to discourage in any way the efforts a given country may wish to collect any fuller detail described by the published international classification systems.

For operating purposes, it is recommended that CARICOM members compile certain further or alternative breakouts beyond those of the summary schedules, and that these be attempted initially as supplementary series. As already indicated, the detail is chosen both to describe core sectors better and to permit links with other key schedules (GATS and ICFA/ISIC). The choice of detail has also been informed by international proposals for the next generation of classifications to be issued from 2007; some of the anticipated changes are substantial but look broadly to be in the direction of greater interoperability amongst manuals – the approach taken here.

A final aspect of the approach is to make a distinction between classifications or formats used to present statistical output, and the categories and definitions that are used internally to collect the statistical input. Many countries have evolved their own practices to define categories or otherwise assign reported information to internal worksheets where they move to output categories, which are organized differently. Moreover, the flexibility to re-order building blocks to fit other analytical needs or special-purpose aggregations not readily portrayed by standard output classifications may well be seen as valuable in its own right.

While the benefits of a uniform set of definitions at all stages of a statistical process are clearly attractive in principle, it may be more feasible at the outset to gain experience with standard outputs. This would not nor should not preclude use of standard categories in certain surveys. That would contribute positively in fact by enhancing consistency of definitions in the statistical process. Having flexibility on the input side, however, would recognize the practical reliance on non-survey sources, which are common in statistical offices.

3.2 Core Services Sectors for CARICOM

In response to the terms of reference for this project a list of core sectors with CPC Ver.1 coding for each product subcategory was produced (See table in Appendix H): The categories are as follows:

Transportation: there are subdivisions for Sea, Air and Other, the last including cargo handling and allied services of storage, warehousing, freight agency and brokerage.

Travel and tourism: the main focus is on the demand side, but some aspects of the supply side are included. The expenditure of visitors on goods has to be isolated as it is not included in the GATS classification. Their spending on transport in the economy visited and their accommodation and food and beverage expenditure are to be shown. Outlays on entertainment services and on sporting and recreational services are recommended, even though they have no EBOPS or CPC coding.

On the supply side there are categories for travel agents, tour operators, guide services and tourist information and reservation services.

<u>Communications</u>: telecommunication services are identified separately from courier and postal services, and it is noted that GATS included audio-visual services under the Communications sector.

<u>Construction</u> (245)

In light of complexities in implementation, no further breakout is suggested at this time. For example, practice in different countries may in fact vary as to whether construction projects longer than a year are treated as quasi-foreign direct investment, or as services. MSITS moreover, considers that Mode 3 of GATS applies if a commercial presence is set up abroad even for a short period of time, rather than the centre of economic interest remaining with the home country. BOP adjustments to merchandise trade can also be required if transactions covered in construction services are already part of exported or imported goods.

No single operating practice for CARICOM countries is suggested at this time for recording construction abroad and construction in the compiling economy, though members who can proceed to a further breakout are encouraged to state their treatment in doing so.

<u>Insurance</u>: although current practice still shows the netting of the gross premiums received in a period less the claims paid out, it is recommended that the gross figures be also shown separately for life, freight, property and casualty, reinsurance and outsourced administrative functions as memorandum items. This will enable analytical comparisons to be made with other service sectors.

The international definition with netted premiums and claims appears to have limitations. While the international definition should be compiled to meet reporting obligations, the caveat of Para 256 of the BPM5 appears to have had greater resonance in recent workshops ("For some purposes – e.g. for use in trade negotiations, total premiums and claims are relevant…").

<u>Non-Insurance financial services</u>: Confusion has been expressed regarding international terminology for this category: many view insurance as a component of financial services. The term 'Non-insurance financial services' is recommended as a solution. The term 'Other financial services', while slightly simpler, may be unclear when referred to on its own rather than listed just after Insurance.

Most countries of CARICOM have or were developing an estimate their National accounts of unspecified service charges wrapped into interest rates. 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 as now measured in the BOP and by the National Accounts where FISIM is progressively being included.

A further breakout of these key services should be explored for future compilation and reporting. Money transfer services were confirmed as one of many supporting services covered (if not readily separable) under the existing definition of Non-insurance financial services.

Computer and Information services: the key services here are computer services and news agency services. It is likely that the future classification of ICT services will show computer services, Internet provision services, and other information services separately.

This breakout of the computer and the information services is recommended as helpful for GATS, largely because of the News agency services which GATS shows separately.

These services are key components of ICT services. They are undergoing major reorganization in classification systems, as the scope of communication and information coverage - particularly in ISIC - is at once expanded then redistributed to reflect internet and related technology. Libraries and archive services of Personal, cultural and recreational services may well be transferred to Information services in future, and separate identification would assist the transition.

Distribution services: in BPM5 wholesale and retail balance of payments data are allocated to the goods figures, and so this services category includes only any commissions not there included. However, for the measurement of commercial presence, distribution services are likely to be significant in the FDI and FATS data.

It is recommended that merchanting be given a low priority; a future option internationally may be to include it within goods, avoiding a negative entry in services when proceeds from sales of merchandise fall below the cost of acquisition.

Legal services: this is a single category.

Accounting and related services: this is also a single category.

Care has to be taken to ensure that, if nationally-owned accounting (or law) firms use international names, their data be not included with that of foreign affiliates.

Research and development: this category would be shown on its own, without further breakouts.

Workshop discussions essentially confirmed R & D services as a Core category due to its relevance for imports, the basis for scheduling commitments under the GATS.

Engineering and related services: a small modification is recommended that transfers the environmental consulting services code to Environmental Services below. This core category is to include also the CPC code 83139 which features under a different EBOPS heading.

A further code is identified for addition to this group – one that is assigned to GATS engineering services in MSITS at Annex table A.IV.2. The CPC is 83139, *Other scientific and technical services,* currently part of EBOPS 284.

Services related to goods production: This is a re-specification and renaming of two originally identified core sectors: Services incidental to the energy industry and Service incidental to manufacturing.

The upshot is to create three sub-categories to cover the reality: First, Environmental services. This largely consists of waste treatment and de-pollution, an aspect of on-site processing in EBOPS 281. Second, Supporting services to primary production. Here, specific CPC codes within EBOPS 283 are identified to cover services that are "incidental to" i.e. facilitate production in agriculture, forestry, fishing and mining. A third category, Production contracted abroad, covers the production of manufactured goods abroad, and which stay abroad, on a fee or contract basis. These are represented by other specific CPC codes of EBOPS 283. To this are added a few CPC codes of 284 also a fee or contract basis. These include 'last mile' services to distribute electricity, along with contract printing, publishing and reproduction services. Production contracted abroad is an aspect of on-site processing as well, with own or others' inputs used to add value; it amounts to an outsourcing service to which many businesses have been turning.

Other business services: This comprises a wide variety of services to business, and represents the bulk of CPC coding to that category. A sub-category identified for both GATS and CICFA/ISIC is Real estate services. Its CPC coding excludes immoveable assets, but these have to be included for GATS/CICFA comparisons where a commercial presence would transact in land and buildings.

Security services surfaced as a potential area of interest: the Region's supply of such services may not be large, but services of local staff could represent an inward FATS amount. Separate coding (CPC 852) is available for inclusion in CEBOP and CGATS, and a counterpart is also available to show separately within CICFA. It is suggested that both Real estate and Investigation and security services be identified as compilation items and for reporting as relevant.

To align with GATS engineering services, CPC 83139, other scientific and technical services, is also identified separately. Greater GATS precision and future classification changes would be facilitated by the separate identification of veterinary services. These are fairly widely scattered in different classifications (e.g., see Health, below); because of perhaps limited weight, this item would be considered for later action.

Educational services (895)

This category would be shown with an 'Of which' breakout for higher education (CPC 923).

Health services (896)

A sub-grouping of CPC's in 896 is suggested for compilation and reporting as relevant. The breakout would be that used for GATS, that is, along the lines of professional services (typically provided outside institutions) vs. institutionally provided services. A breakout for social services (specified as CPC 933 in EBOPS 897) would also assist other linkages.

CICFA/ISIC covers all Health while CEBOPS and GATS cover human health, leaving veterinary services as the main difference. Its CPC's are identified should a more precise match with GATS be required; otherwise it is basically in Other business services, above.

Entertainment (897*)

Entertainment services are seen as covering certain CPC codes of 897 for: Live entertainment and other performances; Performing arts, with promotion, presentation and operation of performing arts facilities; Services of performing artists; Services of other artists, and Amusement parks and similar attractions.

Thus Entertainment services include cultural activities (performers, writers) and the related staging and promotional services that go with them. Coding is too general however, even at the CPC, to reveal the slice of these services which is, say, music (nor live bands within that). Such a slice of activity needs to be specified at the level of questionnaires or other information sources. Separate worksheet items and footnoting would be needed.

Sporting and recreational services (897*)

Interest was expressed at workshops in showing this as a separate key item, especially sporting events. Again there is a level of generality with the coding which, if one wishes to match with GATS or CICFA, one needs also to include recreational services, notably casinos and gambling (topics as indicated earlier, not reached in the discussion and not separately identified in GATS or ICFA/ISIC). As with entertainment, coding is much too general to identify the particular type of sporting activity such as golf or diving. Compilation would need to proceed as with music, above.

Non-core *business* services are listed as follows:

Royalties and licence fees (266)

These are out of scope for GATS, except for franchises, which should be identified separately. Franchises have an EBOPS coding (891) while the nearest CPC is part of 7334 in Version 1.1; also out of scope would be software licensing (CPC 7331 of Version 1.1).

(Note: The WTO has a separate trade agreement on intellectual property such as patents, royalties, etc., with the apparent exception of franchises).

Operational leasing services (272)

This category would be shown on its own without further breakout.

Business and management consulting (277, 285)

While there is some concern that the services of affiliated firms (285) are a catchall, they could still be a catchall within other business services of 284. As 284 is the basis of a Core category, it

could become still less focused. The category 285 exists in any case, and seems better placed with management consulting services of 277 since 285 is defined as contributions to general management and overhead expenses (MSITS 3.135)

Advertising services (278)

This category would be shown on its own without further breakout.

Personal, cultural and recreational services (287)

Of which

Audiovisual services (288)

A breakout of audio-visual services is recommended so as to align with GATS, which places these services with its Communications category. The Manual on services trade, incidentally, includes a Memorandum item on A-V services which includes related royalties and some other closely related elements that may reside outside the A-V definition. Bundling in the sale of rights (which are assets rather than services) and of goods such as tapes and CD's, appears to go beyond the orbit of services.

Government services (291)

These services, which are largely an exclusion from GATS, are nonetheless an important standard category. Breakouts would follow those set out in MSITS; that is, 292, 293 and 294 of EBOPS.

3.3 Other Specific sector issues and recommendations

The following refer to the specification of CARICOM services categories and additional recommended breakouts or alternative groupings. Categories follow the order of the CEBOPS Summary (CARICOM format for the Extended Balance of Payments Services classification). Core categories are underlined.

Transportation (EBOPS #205)

The main subdivisions are suggested to be for Sea, Air and Other, which is the primary breakout presented in the BPM5. Workshops indicate that no amounts apply at present for Inland waterways under CEBOPS. In the CICFA/ISIC schedule, services of inland transport could be offered by majority-owned affiliates, but there is no breakout of its 'water' transport services (a distinction is planned in its Rev 4). A range of other transport modes appear in the CARICOM classification schedules (at EBOPS # 218, 231, 227, 219, and 223) with a view to future compilation and reporting.

An 'of which' category listed below Sea (more specifically its passenger services) should be broken out identify all-in cruise packages, reflecting regional importance.

Rentals of vessels and aircraft with crew are suggested to be shown separately and are defined by CPC coding. A provision is made for other such rentals under other transportation services of #214 if they should develop in future. These breakouts mainly serve to align with the GATS format, as do pushing and towing services.

Consultations showed the importance in the region of Cargo handling as a separately identified item – it is recommended at the level of CPC 671, 672 and 679 to include allied services of storage, warehousing as well as other support services, including freight agency and brokerage. It would be compiled at #232, (the category for Supporting services to all transportation) but for most presentation purposes would appear in primary breakout #217.The coverage of these services aligns with the GATS grouping and also with ICFA/ISIC (excluding the latter's travel agency and related services at ISIC 6304). Marine, air or other modes, however, are *not* identified separately within Cargo handling and related services: to do so would mean separate specification on questionnaires, having worksheet items for compilation, and footnoting for readers. In CEBOPS, # 232 very largely comprises the Cargo handling and related services component. Other items are navigational aids and some unseparated maintenance and repair services to other modes of transport.

Lastly, interest was shown in having a category for yacht repairs, clarified to include repairs to small craft such as fishing boats or water taxis. It should be noted that the representation generally of repairs in trade statistics is in need of clarification and possibly consolidation at an international level. CPC coding in other words may well go beyond the simple maintenance and cleaning function that is currently assigned to (and perhaps buried in) EBOPS transportation. A wider conception of repair is indicated in GATS as 'maintenance and repair'. 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 CEBOPS schedule, Yacht/small craft repairs, and other marine repairs are each memo items under other sea transport of #209; each is a sub-part of CPC 87149. Under Other air transport (#213) is a repair item within CPC 87149 (and for completeness, a little of CPC 6771 for minor maintenance and repair). Unspecified repairs and maintenance on a CPC basis can be compiled under EBOPS 232, Supporting services to all transportation. Specifically, these comprise the rest of CPC 87149, and (for future use) repairs to motor vehicle and trailers, CPC 87141 & 43.

Travel and tourism (236)

The most comprehensive data on travel is compiled from the demand side. But increasingly, and including for use in tourism satellite accounts (TSA), data arising from the supply of services are important.

The BPM5 breakout is recommended to continue, that is, travel spending for Business purposes, and for Personal purposes. Within the Personal category, Education and Health are relevant

details from the demand side, complementing the core categories of Education and Health services below.

An alternative grouping for Travel, one proposed for future BOP use, has categories for: expenditure by travellers on goods (which is presently a Memorandum item of MSITS and needs to be removed from GATS comparisons); for Transport services ('local' spending by travellers i.e. in the economy visited); for Accommodations and for Food and beverage services - currently a single Memo item - as is All other expenditure.

So as to reflect regional importance, to better match with GATS and to assist with TSA accounts, three further breakouts are suggested of the 'All other travel expenditures' category (EBOPS #871):

   1) From the suppliers of the services, breakouts of Travel agency, tour operators and guide services and of tourist info/reservation services. These are presently with another EBOPS category, other business services (284).
   2) Outlays on entertainment services, and
   3) Outlays on sporting and recreational services.

The last two breakouts are again demand side items, which, like local transport, have no EBOPS or CPC coding. The spending on Entertainment and on Sporting and recreational services further serve to complement the international transactions of service providers shown later in CEBOPS (see 10.2.3). It should be noted that recreational services includes gambling and casino operations, a topic not heretofore raised for separate identification (and not separately identified in either GATS or ISIC).

Accounting and related services (276)

It should be noted, however, that accounting firms (and for that matter law firms), which operate autonomously in a country under the name of an international company, are not considered majority-owned firms for purposes of FATS statistics; they have little or no outside equity, and their decisions and transactions are locally controlled. Hence there should be no recording of these in CICFA. Such firms need to be identified for exclusion from the FATS base, though they would still have service flows classified as trade between residents and non-residents - such as for the right to use the international name and apply, to receive corporate internet service or to access various central expertise; the company would be expected to apply the international company's accepted professional standards for accounting.

The presence of an accounting (or legal services) category in CICFA would serve to cover firms not operating in the mode just noted.

3.4 The Central IT System for CARICOM Services Statistics

The IT characteristics of CARICOM business establishment registers were assessed, as were the survey and sampling methods, the reporting forms and the software computing systems being used in the CARICOM countries and the ECCB. In many respects the current procedures of the

Member States visited were found to be of poor quality or even faulty. The complete recommendations are reproduced in the IT Expert's Report in Appendix B, and are aimed to improve every aspect so as to create a comprehensive system.

When upgrading the registers and forms, a high degree of harmonisation should be aimed for, including the classifications, so that one central computing system can be installed at the CARICOM Secretariat. The Trinidad and Tobago establishment register could be the model, if improved in specific ways. The ECCB CEBOPS survey questionnaire forms could be developed as the model for standardisation for the BOP.

The data handling system would be developed using available standard and cost-effective Microsoft applications which would enable users, both officials and private sector firms, to access the system using normal web browsers. There would be strong security features to protect confidential data. Data could be entered manually, electronically or by scanning forms. Users and operators would not need new software or hardware. The central system would have dedicated processing software and hardware, and the web-hosting aspects could be outsourced.

The data output would be modelled on an improved version of the ECCB reporting format, and would cater for the proposed CARICOM balance of payments classifications and for compiling FDI and FATS statistics.

3.5 Profile of the Financial Services Sector (including Offshore Financial Services)

3.5.1 Recommended classification for financial services

As noted above in section on the core service sectors, financial services should be recorded under two main sub-categories of 'Insurance' and 'Non-Insurance financial services'. As for 'Insurance' it is recommended that gross premium and claims payment figures be shown for life, freight, property and casualty, reinsurance and outsourced administrative functions.

For 'Non-Insurance financial services' it is recommended that estimates be given for the measure 'Financial Intermediation Services Indirectly Measured' (or FISIM), which will give greater consistency with international data. Money transfer services could be noted if data are available.

3.5.2 The treatment of 'Offshore financial services'

The services provided by CARICOM residents to offshore firms should be reclassified as business services under the category of 'Miscellaneous business, professional and technical services', because they consist of legal, accounting and management consulting services. The split between these three sub-categories will have to be estimated following investigation.

3.5.3 Ideas on statistics for the future

The recommended classification for financial services, described above, is in accord with current international standards. However, in the view of the Financial Services Expert the classification has insufficient detail for tracking modern financial services, which have developed and

diversified greatly over the past decade or more. He outlines the further dis-aggregation that would be recommended should CARICOM wish to focus more closely on this sector in future.

For 'Insurance services' there would be sub-categories for 'Life insurance' and for 'Property and casualty insurance'. In turn each would be further disaggregated, the first covering ordinary and whole life convertible policies, term cover, pensions funds (i.e. annuity type contracts), group life and group medical insurance. Under the second group there would be nine distinct insurance types (including buildings and their contents, marine, aircraft, motor and five others).

For the 'Non-insurance financial services' there would be 'Domestic Financial Services', 'Real Estate' services and 'International Financial Services'. The 'Domestic Financial Services' would cover banking services (retail, merchant, mortgage lending and financing – hire purchase and leasing), and investment services would include mutual funds and other collective investment schemes, investment brokerage and private pension schemes.

As real estate has become a significant investment vehicle for pension schemes and insurance companies, there would be two sub-categories in the existing category of 'Real estate' defined as 'Development and sale', and 'Property management'.

'International financial services' would be analysed under eleven sub-categories, including international business companies (IBCs), exempt insurance, offshore banking, ship registration, international trusts and six others. Care would have to be taken not to have double counting related to the IBCs, because in some jurisdictions an entity must first be registered as an IBC, and then licensed to conduct specific activities.

It would appear at this stage that these specific recommendations for much greater dis-aggregation go well beyond the bounds of the possible in view of current restricted staffing and funding, and it may be some years before the statistical authorities can implement them.

3.6 Minimum Needs for Labour Statistics in relation to GATS Mode 4

Work is ongoing on recommendations with respect to a statistical framework for compiling statistics on GATS Mode 4 supply; however the following could provide useful sources of data on mode 4 supply, that is, presence of natural persons:

1. Records from the labour department on work permits granted for up to 3 years to executives, specialised personnel, and highly qualified persons brought in by foreign affiliates and national companies
2. Extract from immigration records on business visitors for 6 to 12 months
3. Records from the labour department on compensation to residents travelling overseas to provide services on a contractual basis to non-residents
4. Data from household surveys
5. Data from population census
6. Data on compensation of employees in the BOP

3.7 First Steps towards the Tourism Satellite Account (TSA)

Establishment of a framework for generating the TSA though not an activity undertaken under this project is critical to the completeness of its overall output.
The following recommendations are intended to assist countries get started or moving the process forward with respect to a TSA framework:

1. Collaboration among all stakeholders coordinated by national statistical offices and the national tourism offices
2. Establish the data base
3. Review existing survey instruments and methods
4. Decide on the technology and software for generating the data
5. Provision of training and technical assistance to support national statistical offices in the compilation exercise

4. FURTHER WORK: RECOMMENDATIONS

To continue to develop the framework for the collection and compilation of statistics on international trade and investment in the services sector follow up action should be taken in the following areas:

1. Standardisation of data collection/survey forms, and common customised computer based compilation system to be adopted by all member countries
2. Development of the compilation work started in St Vincent and the Grenadines, Belize, Barbados, Trinidad and Tobago, Saint Lucia, and Jamaica
3. Compilation missions/support to Member Countries which were not visited during this phase of the project.
4. Further research to agree on a common and consistent classification approach for insurance operations in member countries. E.g. An insurance operation treated as outward FATS in Barbados ought not to be treated as an agency in Dominica. To be consistent with Barbados it ought to be treated as inward FATS
5. Technical assistance to be sourced to assist Member Countries with TSA compilation system
6. Pilot study on Remittances in the framework of presence of natural persons Mode 4 Supply, and as recommended by the ECCB as a priority area.
7. Pilot study on the construction sector in Trinidad in the context of compiling inward and outward FATS statistics for Member States
8. Review of Legislation to enhance effectiveness of technical support offered by the CARICOM Secretariat to statistical Offices in Member States
9. Review Legislation to give Central Banks statutory authority to conduct surveys of non-financial businesses/companies
10. Ongoing practical training in the area of Survey and Sampling Techniques
11. Development of appropriate software for production of meta-database
12. Interagency collaboration to source funding and, importantly, to achieve synergies in funding of further work with the national authorities in the development of capacity in the compilation of statistics on production of, and international trade in services.

13. Review of this report with team of consultants
14. This final recommendation is general and is intended to guide project design for future work. Effective team work requires proper information flow and dissemination and adequate "turn around" (not necessarily LOE) to allow feedback and exchanges towards finalisation of activities. In future this should be paid more attention to, in order to prevent too much bottling up of substantive work on major activities towards end of project, as this and late recruitment of some of consultants left an overwhelming amount of work to be done over the last six weeks of this project.