3.0 ISSUES AND RECOMMENDATIONS

Issues related to the availability of data to meet the analytical needs described in the previous section and recommendations for enhancement will be discussed under the following main headings:

1. International Trade in Services
2. Domestic Production
3. Labour statistics
4. Tourism
5. Foreign Affiliate Trade Statistics (FATS) and Foreign Direct Investment (FDI)
6. Presence of natural persons

3.1 International Trade in Services

3.1.1 Needs

The statistics required to analyse and study the implications and impact of trade liberalisation are exports and imports of services, cross-classified by country or region of destination of exports and country or region of origin of imports.

To able to monitor trade agreements they need it for the GATS Services Sector Classification. As this is a legal classification and data are collected according to EBOPS, a medium term goal for the region should be the compilation of exports and imports of services based on the detailed level recommended in the Extended Balance of Payments classification (EBOPS including the memorandum items for Travel) selectively detailed further to allow comparison at least with the subsectors of the GATS Sectoral Classification. (GNS W/120).

In order to analyse international trade in services among the countries of the CARICOM region for Protocol II, and the countries of the FTAA, what is required is information on the country of destination of exports and the country of origin of imports, for whatever the level of detail that it is possible to collect. The absence of this information is a most important data gap.

Detail on country of destination and origin are not required for monitoring the GATS agreements except for being able to compare trade between partner countries. For Protocol II they need to be cross classified by the CARICOM region and the rest of the world. For the FTAA , the latter would have to be broken down further into the countries of the FTAA and the rest of the world.

3.1.2 Current situation

The Central Banks are the agencies collecting data on the exports and imports of services in the region. The data are compiled under the Balance of Payments system in which the primary concern is payments – payments into and out of the country for goods and services, leading to a current account 'balance of trade' and the ultimate concern with changes in the foreign exchange reserves of the country. The institutional concern with payments and balances means that the level of product detail at which balance of payments compilers work need not be as detailed as the level of interest to trade negotiators. Since for all practical purposes, the compilations for the

balance of payments provide the only data on exports and imports of services, it is necessary to examine the classifications used and the level of detail that it might be feasible to obtain using balance of payments classifications detailed further where required.

Data on exports and imports of services are currently collected at varying levels of the Balance of Payments Classification BPM5. Most countries publish information on at least six broad groups of services:

> Transportation
> Travel
> Insurance services
> Financial services
> Government services
> Other business services

In some cases, more detail is collected than published. Some countries have a large undifferentiated 'Other' component in their list of services exports and imports; others can disaggregate this group, into 12 sub-sectors (Barbados). The "Other" group includes several of the new services activities that are of particular interest to monitor on account of their economic contribution as growth sectors and because of their interest as services involved in international trade, for example, professional and business services; computer and information services; personal and entertainment services. Often there are no reports on these categories for reasons primarily related to lack of a proper data source; small number of enterprises involved and the need to protect confidentiality; and the absolute difficulty of capturing reliable information in certain categories of personal and professional services. The challenge is to develop solutions to address each one of these issues that affect the capacity to provide the data needed by users.

So far, only one country in the region has begun to compile data on all the categories of the EBOPS, others such as Barbados are producing considerable detail and would in all likelihood be able to compile it from the data they collect.

The data now available are collected by direct enquiry through the annual survey of establishments, such as hotels and insurance companies; and from administrative sources. Travel receipts for the BOP refer to expenditures of foreign visitors and are estimated based on visitor arrivals and average intended length of stay, and average daily expenditure, derived from visitor expenditure surveys of varying frequency. The concept of visitor expenditure as defined for purposes of the Tourism Satellite Account (TSA) is much wider than the Travel component of the BOP.

3.1.3 Recommendations

The recommendations are grouped for implementation in two consecutive steps:

Step 1. Improvements in what is now collected
Step 2. Move to widening coverage.

They address five specific areas for improvement in the statistics on international trade in services:

i)   deepening the level of disaggregation
ii) direction of trade
iii) treatment of 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

To the extent that Banks collect more detailed data than they publish, efforts should be made to extract the detail and make it available, subject to confidentiality constraints. Where necessary**,** resources should be provided to do this, for example to develop systems to be able to extract the detail.

Whatever data are currently available could then be assembled into categories to approximate GATS categories, for the use of trade policy analysts. Efforts should also be made to increase the detail of data that are collected and compiled first to the level of detail of EBOPS, including the memorandum items, and then to lower levels of detail to enable better comparison with GATS categories.

Travel statistics. Estimate of receipts from travel and tourism should be improved through the use of regular Visitor Expenditure Surveys. Special attention should be given to updating the expenditure patterns used to arrive at the estimates of Travel Expenditure for the OECS region. This subject is further addressed in the section on Tourism.

ii) Direction of trade.

Attempts should be made, through special studies of businesses belonging to particular data are now collected. Initially, this could be done through such special studies and increased over time to specific inclusion of such questions in the standard surveys, when it is considered feasible to do so. Production statistics in some National Accounts survey forms now collect such information. Where possible, these should be incorporated into the Balance of Payments estimations. Currently destination of exports data can be derived for travel services only, from data collected by tourism offices on stay-over visitors by country of residence. Similar information for other services is not only useful but necessary for the trade negotiations and Protocol II, for which a minimum distinction between service exports to the CARICOM region and the Rest of the World is required.

iii) Offshore financial sector.

Standardization of the treatment of this sector within the region is overdue, particularly in the context of trade negotiations for the GATS.

Country differences in the legal definition of "offshore business" when combined with the IMF *definition* of offshore enterprises as residents of the economies in which they are located (BPM5, paragraph 79) produces a situation in which these enterprises are treated as resident in some cases, as non-resident in Barbados, and tentatively as non-resident in the balance of payments of the OECS. The issue needs in-depth examination and the adoption of consistent treatment.

With respect to the off-shore financial sector issues that need to be addressed are:

If of-shore financial sector businesses are to be regarded as external producers of financial services, on grounds that their service product is all produced externally and they are (a) treated as non-residents, and (b) shown as contributing credits, it is necessary to agree on how those credits should be shown in statistics of International Trade in Services, the Balance of Payments and the National Income Accounts. If they are registration fees should they be treated not in the category financial services but rather as legal fees to the extent that they are paid for legal services or as government income paid to the domestic economy. The case of financial companies that pay a flat or percentage tax, in addition to a registration fee, is more complicated. The question that arises is, under which item of Government revenue should that Government income, be credited.

Other businesses

The treatment of all other businesses, other than those belonging to the financial sector, should be made uniform . Businesses that produce goods and services within the domestic economy by employing persons and renting or owning buildings, whether they are domestically or foreign owned, need to be treated as part of the domestic economy, even if they export 100% of their output or may be tax exempt or subject to lower rates of taxation. They should simply be shown as exporting all their output. If they are entertainment companies, registered locally but earning all their income abroad, they are exporting 100% of their services through the fourth mode of delivery, presence of natural persons and need to be treated as part of the domestic economy but shown to export all their output.

Step 2. Move to widening coverage

iv) Coverage of service activities

Systematic identification of new service activities, by reference to an up-to-date business register. This is a first step towards greater knowledge and closer record of what services are now being produced.

The coverage of surveys should be extended to cover the exports and imports of local service companies, in those cases where this is not currently the practice. In the few cases where collections target only the subsidiaries of multinationals, on grounds that they are the businesses most likely to be engaging in trade in services, 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.

With respect to product detail, special efforts will have to be made to identify what services businesses are producing and exporting. These can then be placed within existing CPC categories so that gradually every effort can be made to collect data at the more detailed levels of the CPC corresponding to the most detailed level of the GATS Sectoral Classification (GNS W/120). The question will arise as to whether the greater detail can be collected by the Banks or should be collected as part of the domestic production statistics programmes by the statistical offices. This is an issue that would have to be addressed by each country depending upon the capacity, capability and resources of their respective agencies.

Additional detail can be considered selectively , where the service is so important in the country or region that further detail is useful and necessary in itself and in the context of Protocol II and the GATS negotiations.

v) Response rate

This is such an all pervasive factor in the capacity to produce reliable statistics on services that the subject is dealt with separately.

3.2 Domestic Production of Services

3.2.1 Business Register

3.2.1.1 Needs

An essential prerequisite for the collection of business statistics is a complete and up to date list of businesses or business register. The business register constitutes the survey frame. Creating a register is not a simple task. The register must record information for every business above a certain size, operating in the economy. This cut-off point depends upon the resources available to do the task. Countries usually attempt to cover all businesses with employees. At a minimum their names and addresses, and principal activity, coded to the lowest level of the industry classification, and number of employees, have to be identified and recorded. The register has to be kept up to date. As the sources of information for updates are direct inquiries, administrative records and information from other sources, such as survey feedback and telephone and other directories, the task of maintaining an up to date register requires the reconciliation of often inconsistent information derived from the various sources.

3.2.1.2 Current situation

All the CARICOM countries have a business register from which they draw the names and addresses of the businesses that they survey and provides them with their survey universe and survey frame. The registers are based on a variety of sources: previous, censuses or surveys, lists obtained from administrative records, the yellow pages of telephone books and other sources. However, there usually is no dedicated staff or sufficient staff and other resources to methodically maintain and update the register or to track births of new businesses. Often, the staff can only keep the register up to date as a fill in activity when they are not assigned to other tasks. Unlike in Mining and Manufacturing, in the Service industries numerous small and medium businesses account for the majority of output, so the resources required to maintain the register for businesses engaged in services production is an order of magnitude greater than for goods producing businesses.

3.2.1.3 Recommendations

It is recommended that countries should be provided with the resources to improve and update their business registers. Whereas two countries will be using the enumeration for their census of population as their new register, the rest all need to be able to incorporate information from administrative records and update their registers and improve the industrial coding of businesses. The register provides a list of employers and therefore surveys based on such a list has to be supplemented with other sources to cover the contribution of the self employed and the informal economy , to the production of services.

3.2.2 Production Statistics

3.2.2.1 Needs

In the industry dimension, ideally it is necessary that for all the services producing industries of the International Standard Industrial Classification (ISIC Rev 3), at the four digit level, all the data items required for the Production Accounts of the System of National Accounts are assembled, namely revenue from sales / production (separated into domestic sales and exports), intermediate inputs in terms of goods and services purchased and used (separated into domestically produced goods and services and imports) and primary inputs, namely wages and salaries and supplementary labour income, net income of unincorporated business, depreciation and corporation profits.

For policy purposes, particularly for trade policy analysis, it is necessary to be able to relate exports to domestic production and divide purchased services into domestic production and imports. Only if that is done, will it be possible to analyse the impact on GDP and employment, of widening markets through lifting restrictions on imports, exports, investment and movement of persons.

Thus, total industry revenues from sales and production should be broken down by product, ideally classified according to the three and, selectively, the four and five digit level of the Central Product Classification (v.1.0). To decide whether or not to move to lower levels of the CPC, each country should examine the detail of the GATS Sectoral list from the point of view of its importance to the country in question. On the cost side, total services inputs should also be broken down by purchased service products and imports but this is usually possible only for higher level groupings of the CPC.

Service industries currently constitute a major proportion of the industrial structure, accounting for over 70% of GDP for the CARICOM group of countries. It is, therefore, not surprising that there should be strong demand from users not only for trade in services data but also data concerning all aspects of services production.

The following are the main service producing industries concerning which information was sought for the project. The detailed content of these industry groups is provided in the ISIC Rev 3 structure provided in Annex 1.

ISIC rev.3[1]	Industry Title
45	Construction
50-52	Wholesale and Retail Trade
55	Hotels and Restaurants
60	Land Transport, transport via Pipelines
61	Water Transport
62	Air Transport
63	Supporting and Auxiliary Transport Activities; Activities of Travel Agencies

[1] For the complete structure of ISIC rev. 3 industries, see Annex ----. The listing above, for example, does not include the industries providing services incidental to goods producing industries, such as agriculture, mining and manufacturing.

64	Post and Telecommunications
65	Financial Intermediation. except insurance and pension funding
66	Insurance and Pension Funding, except Compulsory Social Security
67	Activities Auxiliary to Financial Intermediation
70	Real Estate Activities
71	Renting of Machinery and Equipment without Operator and of Personal And Household Goods
72	Computer and Related Activities
73	Research and Development
74	Other Business Activities (including professional services)
75	Public Administration and Defence
85	Health and Social Work
90	Other Community, Social and Personal Service Activities
91	Activities of Membership Organizations n.e.c.
92	Recreational, Cultural and Sporting Activities
93	Other Service Activities
95	Private Households with Employed Persons

3.2.2.2 Current situation

All the countries of the region currently have economy wide survey programmes that collect and compile production statistics at varying levels of detail for the compilation of GDP and National Income Accounts. However, the depth and scope of varies widely. It is regrettable that, as a result of resource cutbacks during the last decade, there has been a sharp contraction in survey coverage and quality in quite a few countries. In most cases, the surveys are based on an inadequate survey frame due to an incomplete and out-of-date Business Register.

National accountants supplement the survey results with data from administrative sources, to the best of their ability, either to update the survey frame or to fill data gaps. However, administrative data sources suffer from the shortcoming, from an economic statistics point of view, that the data they provide are geared to the administrative needs of the agency responsible and do not take account of national accounts requirements. For example, the tax administrations do not have data for businesses below a certain revenue threshold, which makes gathering information for the many small service businesses even more difficult. In several countries the economy wide survey data and data from administrative sources are supplemented with statistics from household surveys, such as the Household Income and Expenditure Survey or the Labour Force Survey. Thus, the estimates of economic production compiled for national accounts purposes are the most complete presentation of the economic structure and production trends available for each country.

Because of estimation problems, the national accounts estimates, however, are usually compiled at a fairly high level of aggregation, thus lacking the detailed industry breakdown required for many types of analysis. In some countries, such a Trinidad and Tobago, the compilation is done at the 3-and 4-digit level of the Trinidad Standard Industrial Classification, which is more detailed in several crucial areas of the service industry spectrum than the international classification (ISIC). Trinidad and Tobago is also uses a more focused survey approach, with longer, more detailed questionnaires for large businesses and short, simplified forms for smaller units.

The general economy wide surveys usually request only aggregated revenues, and major expense categories. In some instances, a limited breakdown by major source of revenue is requested. In the case of Trinidad and Tobago, and for the OECS countries, respondents are also asked to estimate the proportion of revenues derived from exports and the proportion of inputs purchased from domestic and from foreign suppliers. However, this is required only of selected industries. In the case of the OECS countries only tourism-related industries are requested to report the information on exports and imports. Trinidad and Tobago also requires the respondents to identify the percentage of foreign ownership.

Because of the limited range of information collected on the annual surveys, countries also have other more selective economic statistics survey programmes, for example in-depth surveys of particular industry groups undertaken either regularly or occasionally.

Though there is a tradition of collecting goods production statistics in both the industry and product dimensions, service industries are not yet covered in sufficient detail or depth. Very few data on service products exist and no systematic effort to identify, classify, or collect services product data has yet begun.

Interestingly, more product detail is collected, both for goods and for services, on sub-annual survey questionnaires. For example, in the case of Trinidad and Tobago the main mining and manufacturing products are collected for the compilation of the Index of Industrial Production. In the case of Jamaica, quarterly surveys collect not quite product but at least main source of revenue data for a range of service industries. This constitutes a good start, and the approach should be explored and developed further.

In all countries one of the major issues affecting the quality of service statistics is the low response rate. This is such an all-pervasive issue, that it is dealt with separately in the section on response rates. However, it should be emphasized that this is a particularly severe problem for services, given the large number of small business units, including the self-employed (zero employee businesses) and households producing services as part of the informal sector. Small businesses often do not keep good accounts, they either fall below the thresholds for most administrative programs, and they do not comply. Moreover, they are often distrustful of statistical inquiries, confusing them with requirements for filing tax returns. Moreover, questionnaires can be confusing to individuals not used to economic or accounting terminology. These respondents are best approached through direct interviews, as is quite often the practice with household surveys. Past experience in several of the countries (e.g., Trinidad and Tobago, St. Lucia) confirms this: response rates increased in proportion to direct interviews and dropped dramatically when, because of budget cut-backs, the surveys reverted to mailing questionnaires.

3.2.2.3 Recommendations

Though for trade policy purposes, in order to be able to relate exports, imports and domestic production, what is ideally required are data on the domestic production of services in the product dimension. In the absence of such data, a step-by-step approach is recommended so that existing data can be assembled and used even as the data are enhanced.

In the case of the CARICOM countries, it is necessary to start by producing more detailed industry data. As soon as possible, the products produced by service industries should be identified and related to three and four digit CPC classes and efforts should be made to collect product data both for production and exports and imports. Efforts should be made to collect product data particularly in instances where industry data are likely to consist of important

secondary products. However, until countries begin to produce services product data, all that will be available to the analyst is output by industry data. ISIC rev 3 is the International Standard Industrial Classification and some countries within the region collect industry data at a level of detail greater than ISIC rev 3. (Some countries are still using ISIC rev. 2, and some are in the process of converting to rev.3) Therefore until it is possible to collect and produce product detail, industry data will have to be treated as adequate proxy for broad groups of product data and for comparing total output and exports.

In the first instance, the output of services by industry will have to be related to and lined up with, the broad categories of EBOPS to calculate, very roughly, the relationship between output, exports and imports. The table in Annex I that shows the correspondence between ICFA, ISIC and EBOPS can be used as a guide to relating ISIC and EBOPS categories.

Thus, industry output expressed in terms of ISIC Rev 3 industries can be related to exports and imports of services compiled in terms of EBOPS, and to the list of Tourism Characteristic Products as defined for the Tourism Satellite Accounts (TSA) by the WTO.

The first step is, therefore, to expand industry detail and increase the depth , coverage and response rates of industry statistics and the next step should be to move to beginning to identify what service products are produced and to collect services product data.

Improvements are recommended in the areas of:

> Coverage and industrial detail
> In-depth surveys
> Response rates
> Intractable industries
> Collection of product detail
> Origin and destination

The following are the recommendations for each of the above areas.

(i)   Coverage and industrial detail.

 Countries should improve the coverage and detail of services industries in their economy wide survey programmes, usually conducted to provide data for national accounts estimates, as well as enhance data quality by, *inter alia,* adopting the "best practice" within the region concerning particular data sets or survey techniques;

At the lower end of the business spectrum, for the group of very small businesses composed largely of the self-employed and businesses in the informal sector, about which no information is available through tax or other administrative records, recourse needs to be taken to household surveys. The results of household income and expenditure surveys and the labour force survey should be used, supplemented, where necessary, by information from special "piggyback" samples carried out in conjunction with the ongoing household surveys, classified by industry, to estimate revenues or income for the small unincorporated businesses which fall below the threshold of any set of administrative records and thus the Business Register threshold**.**

(ii)   In-depth surveys

Countries should undertake in-depth surveys of particular groups of service industries on a rotational or occasional basis starting with Tourism related industries. Other important industry groups are Financial Services, Telecommunications, Informatics and computer related services; and Business and Professional services.   These surveys should try to cover, at the most detailed level of the industry classification, all the industries within the group, and explore the degree to which product detail can be collected from these industries;

(iii)   *Response rates*

In order to improve response rates and coverage, a three-tier approach should be followed:

(a) As is the current practice in some countries (e.g., Trinidad and Tobago), the technique of sending long or quite detailed questionnaires to large businesses and shorter, less detailed ones to small businesses should be adopted;

(b) For each 3- or 4- digit ISIC (country specific SIC), a "must" list of the   establishments for survey purposes should be identified and intensive follow-up procedures instituted to obtain a response. Unfortunately, with very few businesses in any particular industry, this may result in placing most businesses on the "must" list. Should this be the case, the Statistical Office should first evaluate for which industry areas it is important to produce data at the 4-digit level and concentrate on those areas, while at the same time, using the "must" list approach at the 3- or even 2-digit level for the rest of the economy. Such an approach is in use in some countries in the region, and should be adopted more widely.

(c) Follow-up procedures should be improved for the larger units which receive the questionnaires in the mail, where necessary with personal or telephone contact.

(a) For the smaller units an interview technique for collection should be followed, particularly those that are surveyed through household surveys. This is common practice for household surveys in general and has proved its effectiveness in the past for economic surveys in some of the countries in the region, such as Trinidad and Tobago and St. Lucia. (The practice was discontinued due to a reduction in resources.)

(iv)   Intractable industries

(a) Special pilot surveys should be undertaken to establish the most effective approach to obtaining information from certain industries, and to estimating the number business units and their activity, as well as estimating their income, even without complete data from surveys. A particularly intractable area, falling into this category, seems to be that of Business Services provided by the offices of professionals, such as accountants, lawyers, architects and engineers, for which the response rate for statistical surveys is particularly poor. Moreover, scant information is available from administrative sources, including tax records, or from the professional associations**;**

(b) Similar alternative approaches should be adopted in other industries where difficulties exist in the area of estimating output, export earnings and value added such as for the Entertainment Sector. Now a significant export, it is important to try and estimate the earnings of entertainers, and how much of the income is earned in other countries of the region and in other countries of the world;

(v)   Product detail

At the earliest opportunity, countries should start exploring the possibility of identifying the important products that each industry produces and systematically collecting data on their output. For some countries, which already collect some product (or main source of revenue) data, this would mean exploring the possibility of strengthening the product dimension, especially for the industries which are particularly important in the economic structure of the country on the one hand, and/or are required for an analysis and reconciliation of supply and demand.

(vi)   Origin and Destination

Though international trade data are collected and compiled for the Balance of Payments (frequently without reference to and in isolation of production data), the two programs often go to the same firms for information and the resultant data have to be brought together and reconciled for the compilation of the National Accounts.

In the process of reviewing and redesigning survey questionnaires to improve data quality countries should systematically 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. On the cost side, total services inputs should also be broken down by purchased service products and imports, by country of origin, but this is usually possible only for higher level groupings. Requesting the value or proportion of exports and imports is already the practice in some countries, such as Trinidad and Tobago, for a selected number of industries, and in the OECS countries for tourism related industries.

The recommendation that the CARICOM Secretariat organize or facilitate workshops to enable countries to share experience and consider suitable methodologies to gather, compile or estimate production statistics for services industries is mentioned again later in the Report.

3.3 Labour Statistics

3.3.1 Needs

Among the policy objectives in the regional efforts to promote trade in services is job creation within the domestic economy of each country as well as opening job opportunities intra-regionally.

Policy makers and trade negotiators require a sound information base in order to be able to formulate focused and precisely targeted initiatives. They need to take account not only of the existing economic structure of the country but also of the existing and potential resource base. In the context of trade in services, the most important factor is the human resource base, that is, the availability of skilled labour.

It is for this reason that policy makers urgently require reliable, detailed, and up-to-date information. Data are needed on the total labour force, employment and unemployment. Data for the unemployed are required skill/occupational category, educational attainment, age and gender. The employment figures are required by industry of employment, occupational category, gender and age.

Nijhowne, Ansmits, Boissiere

Such information is usually derived from household surveys, such as the population census and labour force surveys, but usually at a fairly aggregative level of industrial detail. Employment data derived from surveys of employers, that is, establishments or enterprises, permit more precision in industrial coding. These have traditionally been the source of detailed employment data by industry. However, with the structure of most economies more heavily weighted toward services, where many small producers predominate, increasing reliance has to be placed on household surveys.

In addition to the employment and unemployment data, policy makers also require information concerning the educational attainment or skill base of the population at large, including young people still at educational institutions, in order to assess the potential human resource base. This is required to help develop markets for particular occupational or skill categories in which the country appears to have a comparative advantage.

3.3.2 Current Situation

During the period 2000-2001 all the countries of the CARICOM region have conducted population censuses. This has been a major statistical undertaking that has consumed substantial resources, and will continue to do so until all the tabulations and the analysis of the results are complete. Nevertheless, the population census results should provide and invaluable source of information concerning the salient characteristics of the population, at least in those countries where detailed information was sought. Thus, the CARICOM countries should currently be in a good position to develop a good database for assessing their human resource base[2] for the census year. It will also serve as the universe from which to re-select the survey frames for household surveys, such as the labour force survey and the household income and expenditure survey (sometimes referred to as the household budget survey).

The current survey system in place in the CARICOM countries usually includes a labour force survey which is conducted on a quarterly, semi-annual or annual basis. For the employed labour force, this survey yields data by industry, broad occupational category, employment status, hours worked, age, and gender, multiple job holders, and, in the case of the Belize survey, also educational level and training received. For the unemployed labour force, the LFS provides data on age and gender, last occupation, industry and employment status, duration of unemployment, and job seekers and non-seekers. In addition, the LFS also compiles information on the total economically active population, age groups, participation rates and education

Several of the countries, such as Jamaica and Trinidad and Tobago, have separate surveys of employers. In the case of Jamaica, for instance, it is the *Quarterly Survey of Employment, Earnings and Hours Worked.* In other countries, such as St.Lucia, questions on total employment and earnings form part of the annual establishment survey.

In all countries information on employment is collected regularly, in more or less detail. However, not all the information is readily available to users in a format they consider easily accessible or sufficiently current. In Barbados, for example, steps are being taken to counter this. The Ministry of Labour, is "in the process of updating the internet-based Labour Market Information System (LMIS) website … to make it more user-friendly."[3] In Barbados the Ministry of Labour also conducted "tracer studies" of graduate students from Tertiary

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[2] *Labour Force Survey Report*, Central Statistical Office, Ministry of Finance, Belmopan, Belize
[3] *Barbados Social and Economic Report 2000, p.37-38,* Research and Planning Unit, Ministry of Finance and Economic Affairs, July 2001.

Institutions, as well as a training needs analysis for the hotel sector. Barbados also has a well-established National Productivity Council, which *inter alia,* offering technical assistance to other CARICOM countries in such areas as Productivity Measurement. [4]From the above it can be seen that in the case of labour statistics users need to consult not only the Statistical Offices but also the government departments which have administrative authority in the area of labour, such as the Ministry of Labour and Administrations of Social Insurance Schemes.

3.3.3 Recommendations

Given the importance of labour market information in policy formulation in the context of trade in services and Protocol II, it is recommended that all countries
1. Utilize to the fullest extent possible the data from the recent population census in each country to compile a data showing the structure of the human resource base in each country, in terms of cross-tabulations of the categories of characteristics used for the LFS.
2. Update and re-select the sample for the LFS as rapidly as possible, in order to obtain more accurate labour data currently, with particular emphasis on the self-employed and those employed in small service businesses.
3. Where this is not being done already, set up a reconciliation project of labour data from all sources (administrative, LFS, and employer survey) in order to provide more precise information on the labour market.
4. Develop tools for more effective dissemination of data, where required.

3.4 Tourism Statistics

3.4.1 Needs

Tourism is a very important internationally traded service for the Region and one that generates considerable income. Given its importance, Tourism statistics are an area of high priority, for statistical collection. The term tourism comprises the activities of persons traveling to and staying in places outside their usual environment for not more than one consecutive year for leisure, business and other purposes not related to the exercise of an activity remunerated from within the place visited, so it covers both international and domestic visitors. . However it is the expenditure of visitors that cross the border are significant for the calculation of international trade in services in mode 2. Visitor expenditures are part of many components of the Balance of Payments classification of international services transactions including the item Travel.

Compiling statistics related to Tourism, international and domestic, is an area in which two types of statistical approaches are required. Firstly, estimates of tourist consumption (demand) have to be compiled, and secondly, data relating to the provision of services to tourists by domestic industries (supply) have to be derived. The interface between supply and demand is at the level of transactions in services/products. It is for this reason that the international standard for Tourism Statistics, the Tourism Satellite Account (TSA) framework, recommends a list of Tourism characteristic products, and a list of Tourism characteristic industries/activities, as the core elements for compiling tourism statistics. A variety of industries cater to the needs of tourists but many do not cater exclusively or even primarily to tourists, hence the scope has to be widened to include other industries (tourism specific industries) and a broader range of services (tourism specific products). For industries whose product output is largely purchased by tourists, such as transportation and accommodation, data can be collected from the supply

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[4] ibid

side. However, in order to estimate the impact of tourism on the economy and on the services part of the economy, it is necessary to know both how much tourists spend in total and how much they spend on goods and services and to the extent possible the nature of the services purchased.

On the demand side, estimates of international tourist expenditure are usually based on arrivals and estimated length of stay, multiplied by average expenditure per tourist on goods and services derived from a more or less up-to-date "exit survey". Thus, there are two key elements in this approach that can affect the quality of the result: the accuracy of the arrivals data and the representativeness of the expenditure data obtained through the exit survey. Because of the critical importance for policy analysis of solid information on the level and characteristics of tourism demand, it is essential that the data in this area be further developed and improved. The requirement is for expenditure by tourists, international and domestic, on major categories such as accommodation, food and beverages, transportation within the country (as distinguished from the cost of international transportation) , recreation and entertainment and other, with greater detail under each, where possible.

On the supply side, production statistics have to be collected for all industries whose product output is purchased by Tourists. Again, the TSA provides a list of Tourism characteristic industries. In order to derive the impact of Tourist expenditure on GDP, it is necessary to calculate the proportion of each characteristic industry's sales revenue /output that can be attributed to Tourist expenditure. It is possible to go further and calculate the direct, indirect and induced impact on the economy for which it is important to measure how much the intermediate expenditure by Tourism related industries and those that supply them, is spent on imports, as that constitutes a leakage that does not benefit the domestic economy.

Tourism has costs as well as benefits. As yet the TSA does not measure externalities.

Countries may also wish to examine the extent of use of resources such as energy and water by Tourism characteristic industries as compared to the rest of the economy.

3.4.2 Current situation

In all countries the Travel component of the Balance of Payments is measured. In order to arrive at the estimates, all countries measure arrivals and take exit surveys at airports and cruise ship surveys to obtain estimates of Tourist expenditure, some more frequently than others, and some in more detail than others.

The usual approach is to gather information on the number of tourist arrivals and, where possible, departures, usually collected by the Department of Immigration at points of entry to the country, such as airports, ports, and major border crossings. The instrument for recording the information is the Arrival/Departure Card and the Customs Declaration Card. The Arrivals card usually records the purpose of the visit and the intended length of stay. Unless the information on departures is also collected and tabulated, the intended length of stay has to be, and is, used to calculate the actual length of stay of foreign tourists. In the CARICOM region occasional tests have shown that the intended length of stay is a reasonable approximation for overseas and North American tourists, many of whom come on package tours. It is less reliable for business visitors, and not infrequently quite unreliable for travelers from within the region. In order to estimate even the total number of tourist-days, there is also the need to properly identify and account for such issues as short-stay visitors, travelers in transit, and cases of multiple-entry. Some countries in the region make a special concerted effort, at least occasionally, to "clean up"

the arrivals record before estimating tourist expenditure.   A case in point is Belize. This constitutes "best practice" and should be adapted for implementation in other member states.

Most countries conduct regular or periodic sample surveys of tourists at major airports at the point of departure (exit surveys), as well as canvassing departing cruise ship passengers. The content of the exit surveys usually combines quantitative questions concerning expenditure with qualitative or "opinion" questions concerning their stay in the country, the quality of services, facilities, etc. Most countries attempt a breakdown to the level of the main expenditure categories, but in some cases, additional refinements have been successfully introduced. In terms of content, "best practice" would constitute aligning and blending questionnaire content from several countries, e.g., Trinidad and Belize. The response rates and the quality of the responses vary considerably. Among the lowest response rates are those from cruise-ship passengers, except in Belize, where an innovative approach has been adopted recently. Again, this can be viewed as "best practice" that could be adopted in the region. Some countries have instituted a monthly sample at major airports, in other cases the exit survey is taken in such a way as to represent expenditure patterns at particular seasonal peaks or lows. For the OECS countries an outdated expenditure pattern is still being used to calculate the Travel component of the Balance of Payments. (A summary of the content of Visitor Expenditure Survey questionnaires for the member countries which currently conduct such surveys is given in Appendix III.)

3.4.3 Recommendations

It is recommended that

i)   countries should jointly examine, compare and evaluate their methodologies for deriving tourist expenditure data, starting from the "cleaning up" of the arrivals data and extending to the content and methodology of the "exit" surveys. "Best practices" in the region should be jointly reviewed, modified if necessary and adopted throughout the region. This would help to integrate the data for the region and improve the quality of country data while minimizing development costs;

ii)   countries should compare and align, to the extent possible, their arrivals and departure cards and ensure that essential information, such as "purpose of visit" categories continue to be shown on the cards in the future. This is an essential element in arriving at meaningful tourism statistics;

iii)   a special effort should be exerted to develop better tourism expenditure figures for intra-regional tourism in the CARICOM. This is the most difficult area to capture at the moment so that special efforts will have to made to improve the basic data for this area.

iv)   a clear focal point should be identified in each country for co-ordinating the development of tourism statistics and cooperation within the region;

v)   the countries of the region examine the new international standard, the TSA and see how far they can go towards adopting it and also undertake impact analysis..

vi)   CARICOM in cooperation with other regional agencies such as ECLAC, CTO, OECS,OAS and ACS should help to facilitate regional workshops or regular exchange of information between the specialists working on tourism statistics in each country, to enable them to adopt "best practices" and/ or seek technical assistance to do so.

3.5 Foreign affiliate trade statistics (FATS)

3.5.1 Needs

This is in fact a very significant mode of delivery of services and one for which trade policy analysts particularly need statistics.

"For both goods and services sales may be effected, not only through transactions between residents and non- residents that are recorded in the Balance of Payments but also through direct investment enterprises or affiliates, established in the countries of foreign customers. For services , this method of servicing foreign markets is particularly important, as it often is the only method that permits the close and continuing contact between service providers and their customers necessary to compete effectively with indigenous firms."

FATS statistics are needed in two directions. Inward FATS refers to foreign affiliates in the domestic economy and Outward FATS refers to affiliates of domestic firms established in other countries.

"While the GATS does not provide statistical definitions…..The agreement refers to concepts of "ownership", "control " and "affiliation". Under the GATS, a juridical person (such as a business enterprise) is owned by persons of a WTO member country, if more than 50 % of the equity interest in it is beneficially "owned" by persons of a WTO member country, "controlled" by persons of a member country if such persons have the power to name a majority of its directors or otherwise to legally direct its actions; and "affiliated " with another person when it controls or is controlled by, that other person, or when it and the other person are both controlled by the same person."

Because there is no statistical definition it is necessary to look to the practice of other countries. "Actual collection of FATS statistics by EUROSTAT and the OECD has been based on majority ownership. …the US annual presentation of data on sales of services by affiliates covers data for only those affiliates that are majority owned by direct investors."

It is suggested in the Manual of Statistics on International Trade in Services (MSITS) that what is required is the country of ultimate beneficial owner. As this is impractical for most countries, it is recommended that countries should simply attribute ownership to the country of the first foreign parent.

MSITS recommends the collection of the following variables: Number of enterprises or establishments, Sales/turnover or output (preferably broken down first by goods and services and later by service products), Employment, Value added, Exports of goods and services and Imports of goods and services. Sales or output need to be divided into sales to the domestic economy or country in which the foreign affiliate is located, and exports, which in turn need to be further subdivided into sales back to the country of the parent, and exports to other countries. Similarly purchased imports need to be subdivided into purchases from the country of the parent, and imports from other countries.

3.5.2 Current situation

Data on Inward FATS can be compiled from statistics currently available in the economic statistics programmes of most countries provided that establishments are asked for the proportion of domestic and foreign ownership. It will then be possible to identify the number of resident companies accounted for by foreign owned firms and the subset of data related to them.

Which of the variables named above, countries can compile for Inward FATS depends upon what they are compiling now and what is the quality of their data.

Trinidad is one country in the region that is presently producing Inward FATS statistics. Production statistics by industry are assigned to the institutional sectors of the System of National Accounts that allows them to separate the financial from the non-financial sector. The non-financial sector is then separated into domestic and foreign corporate sectors.

They compile Gross Output and a detailed set of variables related to Intermediate Consumption and Value Added. They do this for the six services sectors, Construction and quarrying; Distribution services including restaurants; Hotels and Guest Houses; Transportation, Storage and Communication; Finance, Insurance, Real estate and business services and Personal Services.

They also assign foreign companies to their country of origin and could therefore produce data for the CARICOM region and therefore for Protocol II.

As yet no country within the region compiles data for Outward FATS and they would have to undertake special surveys of businesses with affiliates in other countries to collect those data.
At the global level whereas countries with large multinationals are interested in opening up markets for their global companies and tracking where their affiliates are (Outward FATS), countries in the CARICOM region will be interested in analyzing the impact of liberalizing "commercial presence" on their domestic economies. (Inward FATS).

On the other hand for Protocol II both sets of data will be of interest.

3.5.3 Recommendations

The need to collect complete information on output, exports, inputs and imports of services as well as GDP has been mentioned in the section on Domestic Production.

Policy makers concerned with the GATS, also need to be able to track the contribution made by foreign investment, in majority foreign owned and controlled firms (classified by industry) , to services output, income and employment generated in the economy. (Inward FATS) They also need to know whether the output is for the domestic market or for exports to the country of the parent or to third countries.

Equally they need to know the value of services output produced by foreign subsidiaries of domestically owned businesses, and all the other associated items of information mentioned above . (Outward FATS)

It is recommended that:

Step 1. Inward FATS statistics are compiled.

(i)   All countries that already ask for information on foreign or domestic ownership on their establishment questionnaires begin by trying to compile at least Gross Output and exports for a foreign sector from currently available data. If they are successful they could move on to compiling, input and value added information.

(ii)   Those countries that do not yet ask a question about foreign or domestic ownership on their establishment questionnaires, begin to do so.

(iii)   Countries begin to collect data about the country or region of first ownership as it is necessary for Protocol II that the data be divided between, within the region and the rest of the world.

Step 2. Outward FATS statistics are compiled

This requires that data about their foreign affiliates is requested from multinational corporations in the country.

(iv)   For Protocol II the possibility of providing resources to a country like Trinidad that is known to have construction companies operating in other countries of the region, to undertake a pilot study of this and any other relevant industries, to understand the problems and difficulties of collecting outward FATS data for the region should be considered.

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

For Protocol II, in principle, if every country in the Region collects data about foreign businesses operating in their own economy and assigns it to the country of its immediate parent or first ownership, these data would give an indication of outward FATS for each country within the region. Whether this is possible in practice is something that would have to be further explored in the future.

The OECD countries have embarked on programmes of collecting data on Outward FATS which could become a source of data for the member countries of CARICOM.

3.6 Presence of natural persons

The movement of natural persons in the context of trade agreements refers to reducing barriers on the movement of persons travelling to another country or relocating to another country on a "temporary" and "non-permanent " basis to deliver a service. It is easier to address the issues that arise in respect of the freer movement of natural persons for purposes of legal agreement than it is to statistically measure or monitor the phenomenon.

3.6.1 Needs

Ideally one wishes to measure the number of persons , temporarily moving across borders to produce or deliver services, their compensation and the value of the service product that they

are engaged in producing or delivering. This is, however, not at all a straight forward matter, nor has methodology for measuring the phenomenon been fully worked out.

Two groups of situations fall into this mode of delivery of services. The first relates to suppliers of services and their employees travelling or temporarily relocating to produce, distribute, market, or deliver services abroad. The second relates to temporary employees from abroad of service firms located and operating in the domestic economy.

(i) The first group includes that of independent service providers or self-employed persons delivering a service abroad, as well of employees of service firms travelling abroad to deliver the service. Firms engaged in producing and delivering services internationally often have to deliver it through the temporary movement of persons across borders and the temporary relocation of specialists and professionals who may be independent self employed service providers, or employees delivering the service.

In either case the value of the service delivered (that could be the value of the contract signed) will be part of the total output and exports of the firm located in the domestic economy. In principle, the value of the service would be measured by statistical agencies as part of the value of international trade in services for the Balance of Payments. With respect to the mode of delivery, in theory it is a matter of deciding whether the total output that is exported can be regarded as having been delivered by mode 1, direct supply of the service across the border or by mode 4 , the movement of natural persons, or some of both. Whereas it might be possible to state that certain services are delivered only in person, in the case of others, delivery of the service may require temporary travel or relocation by persons belonging to the supplying firm and the issue becomes how the total payment for the service can be divided between an amount paid for that part of the service delivered by persons travelling to the other country (mode 4) and how much as supplied directly from the domestic office of the firm (mode 1) particularly if the final output is a report that can be sent across the border to the client by mail or electronically.

The Manual on statistics on international trade in services (MSITS) suggests that the whole value be assigned to the predominant mode. It also suggests that independent service providers may enter into a contractual arrangement with foreign service firms. If they have to temporarily relocate themselves in the foreign country to deliver the service the total value of this service would fall into mode 4. If however, they simply have to visit the foreign country, the total value of the service could be regarded as mode 1, but in any count of numbers of persons traveling to produce the service it would useful to include them under mode 4.

(ii)The second group of situations is that of temporary foreign employees of firms located, either permanently or temporarily, in the domestic economy. In all such cases it is only numbers of employees and their compensation that can be measured. It is difficult to attribute to them part of the value of the service output.

It is the temporary foreign employees of three types of firms that are of interest.

   (a) domestically owned firms that employ foreign employees or workers on a temporary basis
   (b) foreign owned, controlled or affiliated firms, with a permanent presence that may bring
        in temporary employees from their home country or from third countries.
    (c) foreign owned, controlled or affiliated firms, with a temporary presence that may bring
        in their own employees from abroad or bring in temporary employees from third
        countries.

In the case of such employees, numbers and/or compensation would need to be assembled.

3.6.2 Current situation

For the first group of situations described above no data currently exist.However using the simplified assumptions recommended in MSITS if would be possible to make some very rough allocations of current export in services data.

For the second group some data sources exist and could be utilized.

Many countries in the region currently require persons coming into the country to work to obtain temporary work permits. Immigration Departments can be asked to analyse their records and provide the data. From this source it will be possible to get the number of work permits issued and some information about the employee's country of origin from the residential address provided, occupation or the industry of the employer if it is the employer that applies for the work permit . This source will not capture the number of persons who have taken temporary employment despite having entered the country as visitors.

For the Balance of Payments, many countries make an estimate of "compensation of employees" for the provision of labour , where employment is for less than a year. For employment of more than a year partial information is available through the BOP component "worker's remittances"

To obtain data about temporary foreign employees of foreign owned companies that have permanent presence in the country, it will be necessary to identify them with the help of the ownership question on the annual production surveys and ask them to specially report the number and compensation of temporary foreign workers on their staff.

It will not be possible to find out about employees of foreign owned companies that have temporary presence in the country except possibly through the work permit data.

3.6.3 Recommendations

This is an area which has first to be tackled in research mode. Data requirements and possible sources need to be further elaborated. Currently available data needs to be brought together and analysed to judge its usefulness and adequacy and to identify data gaps.

Numbers of temporary entrants :
    (i) Wherever Immigration Departments have work permit data that they could further process, they should be requested to do so. Of course this will not cover temporary entrants such as professionals in the CARICOM region who are not required to obtain work permits.
    (ii) Foreign Affiliates could be asked to report the number of employees and employee compensation for temporary foreign workers either as absolute numbers or as a proportion of the total currently being reported.
    (iii)All domestic employers could be asked (a) to report the number of temporary foreign workers they employ.

Value of services delivered:

(iv) All domestic employers could also be asked the value of professional service contracts awarded to nationals of other countries and perhaps the proportion of these for which the service provider has to visit the country to deliver the service.

(v) Using the simplified assumptions recommended in MSITS, international trade in services data, that is the value of exports and imports, should be assigned to modes 1 and 4.

4.0 RECOMMENDED THREE-YEAR WORK PROGRAMME AND RESOURCE REQUIREMENTS

It should be recognised that developing services statistics requires sustained effort over a long period. However, the need for better and more detailed data is urgent. Therefore this report recommends starting with areas of priority to the Region.

4.1 Recommended three-year work programme

The tables below present the work programme recommended for the next three years as per the Terms of Reference.

Table I, presents the recommended work programme under the five headings:
- International Trade
- Production
- Tourism
- FATS
- Presence of natural persons.

The table summarises the main recommended interventions, to be undertaken over the next three years, the details of which are presented in the main body of the Report.

Some attempt has been made to categorize activities in terms of those that could be started without further infusion of resources, those that could proceed with some additional resources and technical assistance and those for which additional staff resources and training are a prerequisite.

TABLE 1. SERVICES STATISTICS: RECOMMENDED WORK PROGRAMME

	Year 1	Year 2	Year 3
1.INTERNATIONAL TRADE IN SERVICES			
1.1 Improve response rates	Intensive follow-up of respondents	Continue	Continue
1.2 Improve coverage	**Extend coverage to domestic businesses in OECS states	Continue	Continue
1.3 Expand detail - BPM5	*Extraction, compilation and release of collected detail, subject to confidentiality constraints	Continue	Continue
- EBOPS	*Extraction and compilation of existing detail	Expand detail	Continue
Additional detail		Expand product detail	Expand product detail
1.4 Destination of exports	**Undertake pilot studies of exports by country/region for Protocol II	Start collection of exports by country/region	Continue
1.5 Offshore financial services		**Develop and implement consistent regional treatment of offshore financial sector	
2.DOMESTIC PRODUCTION OF SERVICES			
2.1 Business Register	*Development and adoption of Census enumeration as updated register (Guyana and Belize)		
	**Reconciliation of information from various sources, including enhancing quality of coding	Regular updating	Regular updating
2.2 Improve response rate	Intensive follow-up	Intensive follow-up continued	Intensive follow-up continued.

RECOMMENDED WORK PROGRAMME

	YEAR 1	YEAR 2	YEAR 3
3. PRODUCTION STATISTICS			
3.1 Respondent relations	Develop programme	Implement programme	Continue
3.2 Improve response rates	Increase interviewer-based surveying	Continue	Continue
3.3 Improve coverage		Improve process of using administrative data to supplement survey data	Continue
			Adopt simplified questionnaire for small business
		Start systematic examination and use of existing Household Survey results to supplement surveys and administrative data sources	
			Expand use of Household Surveys as vehicle for collection of data
3.4 Expand programme	Undertake special pilot studies /surveys to establish the most effective approach to obtaining information from certain sectors e.g. Business & Prof. services		
		Undertake in-depth surveys of services industries, on a rotational basis, e.g. Tourism related industries	Continue with Finance, Informatics etc.
3.5 Product detail	Review required product detail for introduction into in-depth surveys	Implement product detail and review for next cycle of in-depth surveys	
4. TOURISM STATISTICS			
	Review and adopt "best practices" for exit surveys, to develop better expenditure figures		
	Review of "best practices" in the region with respect to methodology of relating visitor arrivals and expenditure data		
		Methodological review, confrontation, comparison analysis of demand and supply data	Continue adoption of TSA
5. CARICOM SECRETARIAT	*5.1. Start assembling and releasing available data on services **5.2. Organisation or facilitation of regional seminars, workshops etc. for i) Services statistics, e.g. Business and	Organisation or facilitation of regional seminars , workshops etc for discussion and resolution of issues related to implementation of TSA and impact analysis	

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	Professional services ii) Determination of data needs for adoption of simplified TSA and impact analysis		

RECOMMENDED WORK PRORAMME			
	YEAR 1	YEAR 2	YEAR 3
6. FOREIGN AFFILIATE TRADE STATISTICS			
6.1 Inward FATS		Begin to collect data about ownership on production questionnaires	Compilation of experimental FATS statistics for the region
6.2 Outward FATS			Pilot study for selected country, e.g. Trinidad
7. PRESENCE OF NATURAL PERSONS			
		Begin to research allocation of value of exports of services data to this mode	Analysis of Work Permit data for those workers/occupations for which data exist

*The following activities could be started without additional staff resources:

I.   International Trade in Services

1.   Expand detail. Review of extraction and compilation of existing detail in BPM5 categories
        with a view to making it available. (1.3)

2.   Start extraction and compilation of detail at the EBOPS level, with the goal of all countries reaching the EBOPS level in 3 years. (Guyana
        and Suriname have further to go in order to attain BPM5 and EBOPS levels.) (1.3)
        See also Deepening the level of disaggregation [Sec.3.1.3]

II.   Domestic Production of Services

3.   Business Register. Development and adoption of the results of the Population Census enumeration of businesses to update the Business Register (Guyana and Belize). (2.)

4.   Industry detail. Review, extraction and systematic compilation of existing industry detail
        at the three- and four-digit ISIC level for internal analysis of industrial structure and identification of
        gaps in coverage, even though the data cannot be released for reasons of confidentiality.

III   CARICOM Secretariat

5.   Start assembling and releasing data on services now available, i.e. Exports and Imports, contribution of services to GDP, and Production data. (5.1)

*** Improvement activities that could be started in Year 1, with some additional resources, including Technical Assistance*

I   International Trade in Services

1.   Improve coverage. Extend coverage of the balance of payments surveys
        to domestic businesses [OECS states] (1.2)

2.   Destination of exports. Start collection of exports by country. (1.4)
        Requires supplementary questions in existing surveys.

3.   Offshore financial services. Develop and implement consistent
        regional treatment of offshore financial and other services. (1.5)

II Domestic Production of Services

4.   Business Register: Systematic identification of new service activities
        See [Section 3.2.1]; and reconciliation of information from various sources, including
        enhancing the quality of coding. (2.1)
        Technical Assistance could be used to help update existing lists, and set up procedures
        for methodical maintenance of the registers.

III Production Statistics

5.   Business Services. Undertake special pilot studies/surveys to establish the most effective
        approach to obtaining information from certain sectors, e.g. Business and Professional
        Services. (3.4)

Other Improvement Activities

The other items listed in Table 1 refer to improvements for which additional staff resources and training are a prerequisite, e.g. Improving response rates (1.1) See details in [Section 3.2.2.3 iii and Section 5.3].

4.2 Resource Requirements

The resource requirements are those identified by the statistical offices, with which the consultants concur. In reviewing the list of requirements, it must be borne in mind that the idea of services statistics as a specific set of statistics is new .It will take some time to adjust traditional approaches to measurement which were goods- centered, to this new reality of the importance of services. It is therefore not surprising that training and staffing are the priority requirements.

The countries articulated their requirements in the context of a general interest in participating in the collection and compilation of services statistics, but with the full realization, clearly stated, that this could only be done with an increase in resources for the statistical offices and with training and guidance.

Tables II (a) and (b) shown below presents the specific resource requirements identified by statistical offices. These were identified during the interviews in the country visits, and subsequently rearranged into broad categories – (a) Staff and (b) Other resources consisting of hardware, software and physical facilities .

Although the table is a record of what was specifically identified during the interviews, not all the resource requirements were fully articulated at the time. Therefore they may need to be re-evaluated in the light of the recommended work programme described above in Section 4.0.

Strengthening the capability of the statistical offices requires infusion of resources in two main areas. The first to enhance the analytical capabilities of the offices through the provision of dedicated staff assigned exclusively to addressing the complex issues of collection , compilation and analysis of services statistics to meet the needs of increasingly sophisticated users. The second to enhance the quality of survey data through improving response rates and coverage .
The number of field staff and interviewers requested is a reflection of cut-backs that many offices have faced over the last decade, making it increasingly difficult for them to achieve satisfactory response rates. Face to face interviews and intensive follow-up has been demonstrated to be the principal means by which a better response rate can be achieved. In addition they are required to support the new initiatives outlined in the work programme.

The resource requirements shown in the table take into account the practical problem that, since the professional and technical staff of the statistical offices are already fully extended, any additional procedures such as those required for services statistics, can only be undertaken if present level of staffing is increased.

In addition to the resources listed in these tables, it is recommended that a dedicated professional with adequate support be assigned by CARICOM Secretariat to promote and coordinate recommended initiatives concerning the several aspects of collecting and disseminating services statistics. Such an initiative will further the desirable goal of systematic and coordinated development in the Region. This is a most useful role for the CARICOM. Secretariat to undertake.

TABLE II a   SERVICES STATISTICS - RESOURCE REQUIREMENTS

Country   *Staff*

	Statisticians Senior	Other	Statistical Officer/ Support Staff	Field Staff/ Interviewers	**Total**
Barbados[1]	1		2	3	**6**
Belize				6	**6**
Guyana	1	2	3[2]		**6**
Jamaica[3]			not available		
Suriname		1		6	
Trinidad & Tobago	1		7[4]	6[5]	**14**
OECS countries					
Antigua & Barbuda				5	**5**
Dominica				3	**3**
Grenada				3	**3**
St. Kitts & Nevis				3	**3**
St. Lucia				4	**4**
St. Vincent & the Grenadines				3	**3**
Total	**3**	**3**	**12**	**42**	**60**
CARICOM **Secretariat**		1[6]	2[6]		

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[1] Additional requirements to supplement existing budget submissions

[2] Includes one IT professional

[3] Country estimates pending

[4] Includes six (6) staff for Data Entry for tabulating ED forms for Travel Statistics using new system

[5] With travel status

[6] For coordinating services statistics programme in the region

TABLE II b   SERVICES STATISTICS - RESOURCE REQUIREMENTS

Country   *Other Resources*

| | Informatics | | Equipment | Physical Facilities |
	Hardware	Software		
Barbados	**n.a.**			
Belize	**6** computers			
Guyana	**2** computers			
Jamaica	**n.a.**			
Suriname	Modems	Internet Access **CTO's MIST** program Software for Visitor Expenditure Survey	**2** vehicles for Field Work	Office space
Trinidad & Tobago	**4** computers	LAN system Internet Access		Additional Telephone lines
OECS countries				
Antigua & Barbuda	**1** computer	**CTO's MIST** program Software for Visitor Expenditure Survey		
Dominica	**n.a.**			
Grenada			**1** vehicle for Field Work **1** FAX machine for data dissemination	Additional Telephone lines
St. Kitts & Nevis	**3** laptops			
St. Lucia	2 computers			
St. Vincent & Grenadines	**1** laptop	Statistical Software- SPSS **CTO's** MIST, software for Visitor Expenditure Surveys	**1** heavy duty printer - for dissemination **1** FAX machine; **1** scanner	

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5.0 CAPACITY BUILDING IN SERVICES STATISTICS

5.1 Improving Response Rates

A very serious problem with respect to the collection and compilation of services data in particular, seems to be the low response rate. Indeed, this was without doubt the primary problem identified by the Statistical Offices in every country and by the Central Banks. In order to bring about change both in the culture towards reporting and in the approach to eliciting responses and to obtaining basic data, the issue has to be tackled at a variety of levels. In addition to the recommendations for a three-pronged approach specified in Section 3.2.2.3, ancillary approaches are required. Essentially, the habit of reporting has to be actively promoted and marketed through continuing public communications programmes.

(1) At the very highest level it is necessary for Senior Ministers of Government and the Central Bank to stress the importance of statistics and urge businesses to provide them. This is an opportune time to advocate business cooperation, particularly in the context of trade negotiations in which the Government is interested both in protecting their interests within the domestic economy by assisting them to become more efficient and capable of competing in world markets and helping them to enter international markets. In some countries in the past, ministers have made appeals to business operators for their cooperation with the statistical offices. These efforts need to be continued and intensified, with special focus on the services sectors.

Since low response rates are not a new problem, nor is this problem confined to the Caribbean, statistical agencies cannot solve the problem alone. Moral and legal support for the statistical offices from Government is needed. Although enabling legislation exists in all countries, some establishments, e.g. some foreign owned hotels, have questioned the legality of requests for data with open refusals to comply. Genuine concerns about the heavy response burden being placed on small business operators, particularly with regard to duplications, must be addressed by the statistical offices; but where other government agencies are in a position to grant operating licences, these should be tied to a legal obligation to respond to data requests, followed by the necessary legal reminders in cases of consistent failure to report. Legal measures are only one aspect, however, and their effectiveness depends on the administration's willingness and ability to enforce.

(2) The statistical agencies need to be given more staff and resources (e.g. telephone lines) to be able to follow up with respondents to obtain replies.

(3) The staff of statistical agencies need to develop and place greater reliance on the statistical skill of sampling and estimation to make up for low response rates. This is only possible if they are able to hire skilled staff and develop the skill of drawing on data from various sources and develop judgement as to how to use small samples as representative of larger but focused universes.

(4) There is also need to address the public relations aspect of data capturing through surveys. To this end a continuing public communications programme is recommended. The goal of such programmes is i) to inform and educate the public on the uses to which the data collected are put, for the benefit of the country; ii) to gain a better understanding of the concerns of businesses when providing information; iii) to give some data feedback to respondents, particularly in the context of business operators who query "What's in it for me?" in return for supplying company data; iv) to provide a forum for producers of data, compilers and users of data to meet and

exchange concerns, with a view to having these concerns addressed; all this with the goal of achieving higher response rates. The following activities are therefore recommended:

- Dissemination of statistics is vital if cooperation of respondents is to be achieved. It would be profitable to undertake the preparation of simple, one-page bulletins on each service sector, showing the most up-to-date salient statistics on the sector, for dissemination with the survey forms. This could start with the sectors with the lowest response rates, or the new sectors for which only preliminary data are now available.

- It would be useful to organize in each country a series of Data Producer/Data Users seminars, by sector, with objectives as described above.

- Use of the media and radio and television programmes to carry out public communications activities. In addition, the issuing of news releases, prepared by the Statistics Office, to announce the release of new data, with brief analysis of the significant features.

Professional public communications agencies will be required to assist in activities that involve greater visibility and awareness of the work of the statistical offices and central banks, and it would be beneficial to explore the possibilities of external funding for such a programme. It must also be borne in mind that aspects of such public communications must be repeated with some regularity if the anticipated higher response rates are to be maintained.

Such programmes have been undertaken with successful results both in the Caribbean and elsewhere. For example, in the OECS the ECCB public communications programme through a series of short radio talks and public meetings brought improvements in the response to balance of payments surveys in the early 1990s. In subsequent years in Antigua and Barbuda, intensive follow up and a bulletin of data on the hotel industry distributed to survey respondents, are credited with an 85% response rate one year. Unfortunately, response rates in the hotel sector fell again when these approaches were discontinued for lack of funds.

5.2 Interagency Cooperation

Numerous agencies are involved in the collection of data about services. Statistical Offices have to draw on data from many sources, both from different survey programs housed within different divisions of the organisation as well as from various administrative sources.

Data on exports and imports of services are usually collected as part of the program of collection for the Balance of Payments by Central Banks. Since the abolition of exchange controls the Banks have increasingly to rely upon collecting information from the same services producing businesses as the statistical offices. Services have to be produced before they are exported and for analytical purposes, the information on exports and production and imports and purchased services needs to be integrated. The System of National Accounts requires that the two sets of data are brought together and reconciled but not yet in the detail required by trade analysts.

It is most important that the two agencies cooperate in the collection of data. It is important that the two agencies should share information and cooperate to develop a good business register. Exports of services can also be collected from businesses at the same time as they are asked for data on revenues or production, and data on imports can be requested at the same time as they are asked for purchased services. Analysts now also need to know the country of destination of exports and the country of origin of imports. Each country will need to review how best to

expand the coverage and detail of their international trade in services data, whether by expanding the program of the Central Banks or the Statistical Offices or both.

Similarly close cooperation is required between the agencies responsible for collection of information from visitors, the compilation of data for the Travel component of the Balance of Payments and development of Tourism statistics. Without interagency cooperation it will be difficult to collect information about "the presence of natural persons "

5.3 Technical Assistance and Training

The use of "technical assistance" can be viewed not only as providing advice and assistance of a technical nature, but also as a means of increasing the analytical capability of statistical agencies in the short–run.

5.3.1 Technical assistance

The Statistical Offices in all the countries, would benefit from receiving Technical Assistance and Guidance, in a variety of areas, some of which are mentioned below.
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Technical Assistance and Guidance should be sought to develop services statistics but more particularly in some of the more intractable areas such as Professional services and Entertainment to assemble data both about production and exports both in the countries of the OECS and the Region. .

Technical Assistance could also be used for the OECS region and Suriname in which some member states need to draw upon the experience of other countries within the region to up-date the tourist expenditure patterns that are being used to arrive at their Travel figure for the Balance of Payments. In the first instance the more up to date expenditure of other countries in the region could be used judiciously. Later exit surveys should be taken at periodic intervals.

5.3.2 Training

Some of the areas highlighted for staff of statistical offices to be given training in are the following:
        Survey Operations and field work
        Questionnaire design
        Interview technique
        Data processing
        Sampling methodology
        Estimation and imputation for non-response
        Analytical techniques
        Time series analysis
        Benchmarking
        Seasonal Adjustment

For support staff the following training should be provided:
        Basic statistics
        Computer skills

(Some of these courses are available at statistical agencies such as Statistics Canada)

5.3.3 Workshops

It is desirable that focused workshops designed for the purpose of resolving issues, should be held for technical staff working in the particular area which is the subject of the workshop. These workshops should be used as an opportunity to draw on "best practices" within the region for implementation in their own countries, to improve questionnaires and methodology and develop statistical programmes in each area that needs to be enhanced. Given the relative lack of knowledge about the concepts and statistical compilations required by trade negotiators and analysts, and those recommended in the Manual on Statistics of International Trade in Services (MSITS), a workshop should be organized to provide a forum for in-depth review of them in order to develop programmes for appropriate implementation in the region. The workshop should be designed to enable participants to understand the overall framework and resolve technical problems in successfully compiling statistics for particular service industry groups, such as Business Services and the Entertainment Sector, in identifying the detail that should be collected in the product dimension for both production and exports and facilitate the compilation of Inward FATS statistics.

Another workshop should be held for staff from the region responsible for compiling Tourism statistics to assist them to resolve problems related to their visitor expenditure statistics and Tourism related industries. The country coordinators for Tourism statistics should have an opportunity to understand the Tourism Satellite Account, and how to collect and compile required statistics for this statistical framework adapting it to the reality of their situations, in terms of detail. They should be encouraged to compare their questionnaires and methodologies and adopt best practice from within the region.

5.4 Intra-regional coordination

Some data on service industries and international trade in services do exist in the statistical offices of the Region. They may not exist in the detail required and recommendations on how statistical programs should be strengthened and enhanced have been made above. However, to the extent that the data exist, they should be drawn together from each country and brought together in a comprehensive manner to start creating a compendium or database for the analysis of international trade in services and its impact on the economy. The IMF brings data related to international trade in services together in a yearbook but because international trade in services data are published only as credits and debits in each country's Balance of Payments publications, there is insufficient awareness that these data exist. The database for the Region can be developed over time as more data become available

It is recommended that CARICOM Secretariat play a leading role in:
- raising awareness of the need for services and international trade in services statistics and the need to enhance services statistics programs in the Region.
- providing opportunities for working level staff to share experience and best practices and receive technical assistance to enhance their services production statistical programmes.
- propagating knowledge of the Manual on statistics on international trade in services and its recommendations, directly and through workshops.
- facilitating understanding the Tourism Satellite Account and arranging technical assistance and workshops to assist countries to implement it.
- creation of a database/compendium that can be enhanced as data availability improves, of data relating to production and international trade in services , by bringing together and making available, existing data relating to production and international trade in services as

well as the demand and supply sides of Tourism statistics to raise the awareness of existing data among analysts in the region.

6.0 CONCLUSIONS

A relatively new area of rapidly growing interest to policy makers, services producing industries, are varied, and large in number. The industries for which both industry and product statistics are needed range from Construction services, Wholesale and retail trade, Hotels and restaurants, Transport, storage and communications, Financial Intermediation and Insurance, Real estate, renting and business services, to Public Administration and Defence, Education , Health and social work, and Other community, social and personal services. Of these all except Public Administration and Defence and some areas of social services are of interest to trade policy analysts. As compared to the goods producing industries of mining, manufacturing and the utilities, it is more difficult to collect data from services industries, because of many factors not least among which is the fact that this sector of the economy is characterised by the existence of a larger number of units. A larger proportion of their output is produced by small units and small units that either do not have developed accounting systems or are reluctant respondents. Service products are much more difficult to define, identify and collect data about.

Statistical Offices in the OECD countries which have extensive services statistics programmes have all had to make an infusion of resources into the collection of services statistics. In addition to mining and manufacturing and the utilities, some of them were already covering construction and services related to the distribution of goods namely, transportation, storage and wholesale and retail trade, hotels and restaurants, in their regular programmes. Most of them have received an enhancement in their budgets during the last 10 years to develop the areas of communications, finance and business services, education and health. Most of them are only now collecting services product data in their economic statistics programmes.

The member countries of CARICOM, need to considerably expand their programmes of services statistics. To do so, they need an infusion of resources. In the longer term, given the importance of statistics and the need for services statistics in particular, there is a need to review the position of statistical offices within the hierarchy of Government. Their status and salary levels need to be improved. To be successful in collecting statistics from businesses, they need to develop long term relationships with them and they need to be given the resources to do this. They have insufficient staff to be able to make personal contact, undertake necessary follow up and assist small businesses to respond to questionnaires. Many of them seem to face difficulties in recruiting and keeping staff. They need dedicated staff to undertake research and carry out regular programs. They have excessive staff turnover and unfilled vacancies. Promising personnel have to leave to further their careers. There also needs to be a greater appreciation of the timeliness concerns within which statistical offices have to operate. If statistical offices are to be efficient and provide timely statistics, they need to be given greater autonomy in staffing and decision-making.

What is needed to improve services statistics in the countries of the Region has two essential components, namely (a) technical- statistical, and (b) institutional and organizational. Both are vital for improvement, and it is unlikely that one can take place without the other. Both clearly require resources, technical resources and financial resources. Our recommendations are framed with the consciousness of competing demands and priorities for the countries' resources, in which statistics are not high on the list; yet this situation has to confront increasing demands of more sophisticated users in the decision making directorate as it becomes more involved with

the demands of globalization and wants to have data immediately. We have therefore given considerable weight to technical assistance and training, both because they are needed to improve the statistical capacity and because they may be more amenable to funding from external resources. We would also recommend that in the immediate short-run the larger Statistical Offices review their resource allocation and consider the possibility of reallocating some staff to the development of Services statistics.

The estimates of resources are minimum requirements. Even if the number of total personnel seems striking, it must be recognized that staff cutbacks have occurred and that current staff are stretched to the limit. They are spread too thinly so that even though there seems to be a feeling that there is need to work on all fronts simultaneously or get left behind, the price paid is neglect of some area such as services statistics. Given the challenge of compiling statistics in the new areas of Business Services, Finance and Telecommunications and Informatics, statistical offices need Research Units or Research Staff to undertake data compilation by adopting methodologies of sampling, estimation, data confrontation, and use of indirect indicators. They also need staff for follow up to improve response rates.

There appears to be a perception in the region that "there are no statistics on services" currently available. On the contrary, there are indeed statistics on the production of some services, and on imports and exports of services. The latter are to be found in the balance of payments accounts of all member states. Some are available in more detail than others. It would be useful for the existing data to be brought together and published as such. However, improvements are needed in the level of detail collected, and in the coverage of services. But it must again be pointed out that the ability of statistical agencies to compile statistics is constrained not only by current data collections, and the resources available to them to assemble and process additional data, but equally importantly, by the willingness of respondents to provide the data. The level of detail at which the data can be collected depends upon how respondents keep their records, and their willingness to provide information to the statistical agencies. The recommendations in this report give some prominence to addressing this latter handicap on a continuing basis, both for the immediate needs for data and for the long- term maintenance of the desired data bases.

The report recommends that the CARICOM Secretariat take the initiative in allocating resources within the Secretariat for the purpose of - undertaking activities to raise awareness in the Region for the need for Services statistics, for promotional activities, for organizing technical assistance and workshops and for assembling available data.