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**STRENGTHENING THE CAPACITY OF NATIONAL
AUTHORITIES AND REGIONAL ORGANISATIONS
IN RESPECT OF SERVICES STATISTICS**

The Secretariat executed activities on the CARICOM Protocol II Trade Policy and Facilitation Project on Strengthening the Capacity of National Authorities and Regional Organisations in respect of Services Statistics. This Project was funded by the Canadian International Development Agency (CIDA). The Interim Report, which was prepared by the Consultants of the Project, appears at Attachment I for the consideration of the Meeting, while the Recommendations and Conclusions of this Interim Report appears at Attachment II.

Action Required by the Meeting

The Meeting is invited to:

- (i) **note** the execution of activities on the CARICOM Protocol II Trade Policy and Facilitation Project on **Strengthening the Capacity of National Authorities and Regional Organisations in respect of Services Statistics;**

- (ii) **consider** the Interim Report on the situational assessment of this Project;
- (iii) **also consider** the Recommendations and Conclusion of the Interim Report.

**Strengthening the Capacity of
National Authorities and Regional Organisations
in respect of Services Statistics**

Interim Report

***Prepared for:
The Caribbean Community Secretariat -:***

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October 2001

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LIST OF ACRONYMS

ACS	Association of Caribbean States
BOP	Balance of Payments
BPM5	Classification of International Transactions in Services in 5th edition of BOP Manual
CARICOM	The Caribbean Community
CDB	Caribbean Development Bank
CPC(Prov)	Central Product Classification (provisional)
CPC v. 1.0	Central Product Classification version 1.0
CTO	Caribbean Tourism Organisation ECCB Eastern Caribbean Central Bank
EBOPS	Extended Balance of Payments Classification of Services
FATS	Foreign Affiliate Trade Statistics
FDI	Foreign Direct Investment
FTAA	Free Trade Area of the Americas
GATS	General Agreement on Trade in Services
GDDS	General Data Dissemination Standards of the IMF
IMF	International Monetary Fund
GDP	Gross Domestic Product
GNS/W/120	GATS Services Sectoral Classification
IO	Input Output Tables
ISIC (Rev3)	International Standard Industrial Classification, third revision
MSITS	Manual on Statistics of International Trade in Services
OECS	Organisation of Eastern Caribbean States
RNM	Regional Negotiating Machinery
SNA	System of National Accounts
TSA	Tourism Satellite Accounts.
WTO	World Trade Organisation

PREFACE

The Situational Assessment of the Statistical Capacity of National Authorities and Regional Organisations in Respect of Services Statistics required a) a detailed examination of the statistical data needs of users as well as of the relevant statistical programmes in the member countries of CARICOM carried out during Field Visits (completed); and b) intra-regional comparisons and evaluation of the findings (partially completed). Responses to some country-specific follow-up concerning recommendations and the associated resource costs are still outstanding. These will be incorporated in the Final Report.

The conclusions and recommendations presented in this interim report should be treated as tentative and preliminary. A more technical analysis and more detailed recommendations will be provided in the Final Report.

1.0 INTRODUCTION

1.1 Objective of Project

The objective of this project, as outlined in the Terms of Reference, was to undertake a situational assessment to enable the development and strengthening of statistical capacity with respect to the services sector, in order to monitor activity and develop policies and programmes for effective participation of CARICOM Member States in the production of and international trade in services.

To achieve this objective, the Project Team :

- (a) assessed the current situation in the light of user requirements and existing statistical capabilities and resources;
- (b) identified data gaps and inadequacies;
- (c) developed recommendations on the scope and range of service statistics and information required to support external negotiations and monitoring of the services sector, including trade in services; and based on the above,
- (d) made recommendations with respect to the steps to be undertaken and the methodologies to be used to strengthen and enhance statistical capacity; and
- (e) broad estimates of resource requirements phased over a three-year period.

1.2 Coverage of project

The study covers the following Member States of CARICOM, namely: Antigua and Barbuda, Barbados, Belize, Dominica, Grenada, Guyana, Jamaica, St Kitts and Nevis, Saint Lucia, St Vincent and the Grenadines, Suriname and Trinidad and Tobago.

1.3 Project team

The Project was undertaken by a team of consultants:

Shailabala Nijhowne (Lead consultant)
Anna Ansmits
Noel Boissiere

1.4 Project Tasks

PHASE I

1. Design and submission of a questionnaire intended to elicit background information on the current situation from the member states.
Target date: July 15,2001
Completion date: July 15,2001
2. Preparation and submission of an Inception Report containing a general overview of the current situation based on the replies to the questionnaire.
Target date: August 11,2001
Completion date: August 11,2001
3. Briefing Session with CARICOM Secretariat.
Target date: August 15, 2001
Completion date: August 15,2001

PHASE II

4. Field consultation -visits to member countries
Target date: September 13, 2001
Completion date: September 21,2001
5. Preparation and submission of Draft Report to the CARICOM Secretariat, outlining the Conclusions and Recommendations
Target date: October 25, 2001
Completion date of Interim Report: October 10, 2001
6. Submission of Final Report¹ to Secretary General of CARICOM
Target date: November 30, 2001

¹ Situational Assessment of the Capacity of National Authorities and Regional Organisations in respect of Services Statistics

Project execution

1.5.1 Questionnaire Design . .

To carry out the project, the team began by designing and submitting a questionnaire to the CARICOM Secretariat, for distribution to the member states of CARICOM. The questionnaire was designed to allow the consultants to get an initial understanding of the current situation with respect to the availability of data. The responses received were analysed and the consultants prepared a project Inception Report for the CARICOM Secretariat, that described their initial findings and outlined the issues that would be further explored during the field visits.

1.5.2 Field visits

The consultants visited the member countries of CARICOM and conducted in depth interviews with the agencies responsible for the collection and/or compilation of services statistics in each country, such as the Central Bank, the Statistical Office, the Tourism Board and Ministry of Tourism, the Department of Immigration, and Offshore Financial Authorities, as well as with major users, such as trade policy analysts, trade negotiators of the regional negotiating machinery, officials from departments of Trade and Industry, Foreign Affairs, and the institutions responsible for the promotion of Tourism. In addition, discussions were held with regional organisations engaged in the compilation or analysis of statistics or in regional co-ordination, such as ECCB, OECS, ACS, CTO, RNM, and the CARICOM Secretariat itself.

The largest proportion of time was spent with the statistical offices, discussing all aspects of their statistical programmes.

The field visits made it possible for the consultants to gain first hand knowledge of the needs of users and the statistical programmes of each country. They were able to study closely all aspects of the programmes relevant to the concerns of this study and assess the capacity of the statistical agencies to enhance their services statistics programmes, in terms of resource availability, level of knowledge and technical skills. Discussions provided essential information on the legal, financial, operational and cultural constraints under which the programmes were being carried out. Ways in which the programmes could be improved and enhanced could be explored and the feasibility of proposals for improvement and enhancement could be discussed with the staff and resource requirements assessed. It would not have been possible to develop an informed assessment of the situation or present recommendations for data improvement without the field visits. Moreover, the field visits had the added benefit of raising the awareness of the data supplying agencies concerning the need for and importance of services statistics, as well as international developments in the field.

1.6 Project Output

The project output will be a final Report presenting an assessment of the current situation in the light of user requirements, with recommendations, including broad estimates of resource requirements over a three year period for enhancing the statistical capabilities of the relevant agencies to effectively collect, analyse and disseminate statistical information concerning the production of and trade in services.

2.0 SITUATIONAL ASSESSMENT

2.1 Background

Important among the goals of this Situational Assessment of the Capacity of National Authorities and Regional Organisations in Respect of Services Statistics, is to evaluate the adequacy of existing statistical programmes

(i) to meet the needs of policy makers, trade policy analysts and trade negotiators engaged in assisting and analysing growth and structural transformation in the economies of the CARICOM member countries, through the development of services production both for domestic consumption and for international trade, and

(ii) for assessing and monitoring the impact on the domestic economy of widening markets through liberalisation of trade in services, by removing restrictions under Protocol II for the CARICOM region, as well as, through other trade agreements in which the region and the member states will be involved, such as FTAA and GATS.

The assessment brings together two aspects. First, outlining the statistical needs of users, by identifying the analytical purposes for which the data are needed and the analytical framework within which they can be expressed. Second, reviewing and evaluating the statistical programmes through which data are collected and compiled, and identifying how they can be enhanced and expanded to meet user needs.

2.2 Statistical needs of users

The System of National Accounts and its various component accounts provide a useful framework for analysing and monitoring the structure, importance and other characteristics of services in the economy. In order to measure the role of services in the economy and assess the impact of widening the market of each country by liberalizing , trade in services within the Region (protocol II) and beyond that to the continents of North and South America (FTAA) as well as to the rest of the world, ideally it is necessary to compile and bring together the financial and production accounts of the system (SNA93) at current and constant prices. This includes accounts related to international trade and payments, as prescribed for the Balance of Payments, supplemented with data recommended for the Tourism Satellite Account. Important also are statistics related to capital and investment, foreign direct investment and foreign affiliate trade statistics. Finally labour market statistics relating to the labour force in

terms of skills and occupation, gender, numbers employed, part- time and full- time employment and status in employment are needed.

Although all the above data sets are useful and necessary for providing a complete analytical framework, this assessment, in line with the Teffi1s of Reference, has concentrated mainly on production statistics and statistics on international trade in services including "the four modes of supply".

Production Statistics

Industry data needed by analysts can be presented within the production accounts of the *System of National Accounts (SNA93)* framework as total revenues from production and total associated costs of production in teffi1S of the value of the goods and services purchased, and value added (wages and salaries, net income of unincorporated business, depreciation and corporation profits).

Industries produce products and the same product can be produced by more than one industry. It is therefore necessary to assemble data on the domestic production of services in both the industry and product dimensions. To assemble the total output of any given service product, data have to be assembled from all industries engaged in the production of that service, with particular focus on the industries primarily engaged in the production of that service product.

Industries sell their product output domestically or export it. Total supply of a given good or service consists of domestic production plus imports. This total can be analysed from the demand side in teffi1S of disposition to (a) businesses as inteffi1ediate inputs or for fixed capital fo ffi1ation and inventories, (b) as final consumption to consumers, and to government and (c) as exports.

To compare production and trade, it is necessary to compile product data. However, very often data are only collected from the primary producing industries of a product and the total output of industries or their exports are treated as proxies for product output and exports.

International Trade in Services

For Protocol II and the GATS Agreement, a further dimension has been introduced with respect to international trade in services, that of the four modes of supply. This concept is used to explain how services can be traded internationally, that is by supplying the service in any of four ways. Trade in services is defined as the supply of a service:

- (a) from the territory of one Member into the territory of any other Member [mode 1]
- (b) in the territory of one Member to the service consumer of any other Member [mode 2]

- (c) by a service supplier of one Member, through commercial presence in the territory of any other Member [mode 3]
- (d) by a service supplier of one Member, through presence of natural persons of a Member in the territory of any other Member [mode 4].

To monitor mode 1, what is needed are data on the value of exports and imports of services by country of destination for exports and by country of origin for imports. To be part of mode 1, these services must be directly exported from the territory of one country to the territory of the other.

When the owner or the employee of the service firm travels across the border to deliver the service, either on own account or as an employee of a firm, the transaction falls into mode 4, movement of natural persons.

To monitor mode 2, what is needed is tourist expenditure on services that occurs when visitors/tourists cross the border to consume services in an economy, other than the one in which the visitor/tourist resides.

To monitor mode 3, what is needed are foreign affiliate trade statistics (FATS), i.e., the whole range of production data, including number of employees, pertaining to foreign owned establishments or subsidiaries of foreign corporations, within the domestic economy (inward FATS) and about the foreign subsidiaries of domestically owned corporations (outward FATS). When a foreign subsidiary is set up in an economy, it may supply its output to the residents of the economy or it may export some or all of its output to its home country or to third countries. The activities of subsidiaries producing services for the economy in which they are located are described as delivery of a service through "commercial presence". The benefit to the receiving country will depend upon the income that is spent in the country on domestically produced intermediate goods and services, or on wages and salaries, investment or paid in taxes. The proportion of the intermediate expenditure made on imports, constitutes a leakage that it is most important to measure.

2.3 Data collection

The statistics required to meet the need for services statistics for the various analytical purposes mentioned above have to be assembled from a number of agencies, among which are the statistical offices, central banks, and tourism authorities as well as administrative agencies such as immigration departments and tax departments.

The data have to be processed, integrated and assembled into a common framework. Whatever may be the requirement of users the ability of statistical agencies to provide the required statistics is constrained by their current data collections and their capacity to expand them, the resources available to them to collect, assemble and process the data and equally importantly, their data sources and 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 or are willing to keep their records.

In the member countries of CARICOM, statistical collection of services data is presently the responsibility of different agencies most important of which are Central Statistical Agencies and Central Banks. Data related to international trade in services are usually collected by the Central Banks as part of the programmes of data collection for the Balance of Payments and data related to domestic production of services are collected by Central Statistical Agencies as part of their economic statistics survey programmes for the compilation of the National Accounts or economic statistics programmes.

In fact, businesses produce products that are either consumed domestically or exported. Businesses purchase products for intermediate use that are either produced domestically or imported. To obtain the statistics needed for compiling the National Income Accounts, Statistical Agencies directly survey businesses including those primarily engaged in producing services. In principle, they can and sometimes do collect the value of services produced as well as exported, and breakdown of the value of services purchased between domestically produced and imported services.

It is customary however, for the Central Banks to collect and compile data on international trade in services as part of the programmes of data collection/compilation for estimating the Balance of Payments. As long as there were exchange controls, the value of international trade in services, exports and imports, were estimated by Central Banks, with the help of records of foreign exchange transactions maintained by the Banks. With the abolition of exchange controls, that source of information is not available to the Central Banks and they too have become more dependent on surveying businesses to gather the information that they need for the compilation of the Balance of Payments.

For the analytical purposes addressed in this assessment, data relating to production and trade have to be brought together from the two agencies and reconciled.

Though collected by immigration departments, tourist arrivals data are sometimes processed and compiled by statistical offices. Tourist expenditure data are collected through exit surveys at airports and, sometimes, other points of entry, as well as from cruise ship passengers. Tourist expenditure data are usually processed and compiled by statistical offices who supply them to Central Banks for the travel component of the Balance of Payments statistics. Statistical offices collect data on Tourism related industries as part of their economic statistics programmes.

2.4 Classification

Major Classifications

The two major classifications that are used to collect and compile business statistics are industry and product classifications. The current United Nations standard classifications relevant for services statistics are the International Standard Industrial Classification (ISIC Rev3) and the Central Product Classification (CPC v 1.0). That of the IMF for international transactions in services is the Balance of Payments classification (BOP classification) in the fifth edition of the Balance of Payments Manual and most recently the extended BOP classification of services (EBOPS) in the Manual on Statistics of International Trade in Services.

Industries and Products

Industries are groupings of production units of businesses described for statistical purposes as establishments. It is customary to collect statistics related to the value of production and sales and associated costs including the components of GDP, wages and salaries, depreciation and profits, as well as employment about establishments and to classify the data to the industry classification.

Industries produce products that are goods and services. Industries may produce many products, they may produce both goods and services, and the same product may be produced by many industries. To arrive at the total output of a product or total exports of a product, it is necessary to gather information from all industries, because though it may be the primary output of one industry it may also be the secondary output of another. To get the full picture of domestic production and international trade, it is necessary to assemble data about the products produced and exported on the output side and products purchased as inputs whether domestically produced or imported.

Because it may be difficult to collect product data across all industries, they are sometimes collected only from the principal producing industry. This can be adequate depending upon the product for which data are being collected, and the extent to which it is produced by that industry (the coverage ratio). It may be necessary to seek data about particular products from a group of industries or put particular questions on all or a number of industry questionnaires.

Services

The concern for this situational assessment is the classification of services data. An explanation of the various international classifications and their relationship to one another is provided in Annex 1.

Product Classifications

Classifications serve a dual purpose. They provide descriptions and definitions of classes and groups of classes that enable an entity to be classified within a hierarchical structure. Statistical Classifications are designed to collect, and classify statistics to facilitate analysis. The detail or some intermediate level of the same classifications can also be regrouped and used for a legal purpose such as for the GATS agreements or Protocol II of the Caribbean Community.

If the same classification is used for both legal and statistical purposes and data can be produced, those data can be used to monitor legal agreements. However, whatever may be the requirements of users, the ability of statistical agencies to compile statistics is constrained by current data collections, the resources available to them to assemble and process additional data and equally importantly, data sources and the willingness of their respondents to provide the data. The level of detail at which the data can be collected depends upon how respondents keep their records, or are willing to keep their records.

In the case of output and trade in services the ideal position of being able to produce data at the detailed level of the CPC, compatible with the GATS Sectoral Classification (GNS/W/120) may not be possible in the short run. However, as explained below approximations can be made.

Legal Classification: GATS Sectoral Classification (GNS IW/120)

The World Trade Organisation (WTO) created a classification known as the GATS Sectoral Classification (GNS/W/120 list) for *legal purposes* to help define the boundaries of agreements for the Uruguay Round of the GATS.

The GATS Sectoral Classification GNS W/120 is composed of Sectors, sub-sectors and detailed categories. The detailed categories correspond to the three, four and very occasionally five digit categories of the Provisional CPC. Though the Provisional CPC has now been superseded by CPC v 1 as the statistical product classification of the UN and the use of CPC v 1.0 in the new round of negotiations has been debated within the Committee on Specific Commitments, the WTO has not officially recommended its use for the negotiations. However many countries are using it to help them define their commitments.

For analysis related to the legal aspects of liberalizing trade and formulating specific commitments for trade agreements for the GATS, it is necessary to use the GATS Sectoral Classification (GNS W/120). As the detailed categories of the GATS Sectoral Classification correspond to the lower levels of the Provisional CPC, that can be related to CPC v 1.0, the lower level detail of CPC v 1.0 can be used to do detailed analysis. Any analysis related to the legal aspects of liberalisation of trade for Protocol II, such as the analysis of restrictions recently undertaken for the CARICOM Secretariat, can usefully be undertaken at the lowest level of detail of the CPC v 1.0 and then rolled up

to the CPC v 1.0 level equivalent to the GATS Sectoral Classification categories to make it relevant for analysis for the legal agreements of the GATS. Alternatively, the restrictions can be named in detail, and the analysis can be undertaken only for detailed GATS categories, compatible with the CPC v 1.0.

Tables that relate CPC v 1.0 and the GATS Sectoral Classification are available as Annex 4 of the Manual on Statistics on International Trade in Services (MSITS). It is also reproduced as Annex II of this report.

The advantage of using a statistical classification for legal purposes is the expectation that statistics would then be available to monitor agreements.

As CPC v 1.0 and the Provisional CPC can be related to one another, in ideal circumstances, if data were collected for CPC v 1.0 categories, at the level of detail corresponding to the lowest level of the GATS Sectoral Classification, the data could be used for purposes of monitoring GATS agreements.

Statistical Classification for International Trade: Balance of Payments Classification.

International Trade in Services data are collected in the context of compiling the Balance of Payments. The statistical classification used for the collection of international trade in services data is the Balance of Payments classification. (BPM5). Though it too can be related to the CPC no country has, as yet, started collecting international trade in services data for the CPC. Thus in most countries of the world, the detail at which data on international trade in services is collected for their Balance of Payments programmes is still very much higher than that of the lowest level of the GATS Sectoral Classification (GNS W/120).

More recently a new international standard known as the extended Balance of Payments Classification (EBOPS) has been created that is considerably more detailed than BPM 5 but it is still not as detailed as the GATS Sectoral Classification (GNS/W/120).

The BOP Classification, EBOPS and CPC v 1.0 are the main classifications to be considered for the collection of services statistics in the product dimension, each is progressively more detailed than the one before. GNS/W/120 is a classification created for legal purposes.

The relationship of the two classifications EBOPS and GNS W/120 is such that though some of the categories of the two classifications can be directly related to one another, others can be related at different degrees of approximation and for yet others EBOPS classes need to be further detailed to reconstruct GATS sub sectors. For International Trade in Services, where countries are already compiling data according to the BOP classification, the first step is to expand their programmes to the level of

EBOPS and the detail required to approximate the GATS sub-sectors, selectively, depending upon the importance of the component for the economy or the region. The data can then be used to approximate the value of groups of GATS categories. A table indicating how this can be done will be shown in the final report.

Countries that are successful at producing data at the EBOPS level may wish to explore again selectively, the possibility of collecting three or four digit CPC detail to bring the data closer to the categories of the GATS Sectoral Classification.

For Domestic Production, not only are policy analysts interested in monitoring trade agreements, they are also interested in analysing what proportion of domestic production is exported and what proportion of total supply is imported. Normally this analysis would be done in the product dimension.

In the case of the CARICOM countries, it is necessary to start by producing more detailed industry data. In some areas, some product data are being requested and this can be expanded. When examined at the level of ISIC industries and detailed CPC products, most industries produce more than one product and many products are produced by more than one industry, therefore the value of the total output of an industry will contain the value of the secondary products that it produces. An example is that food services are produced as a secondary product of hotels and a primary product of restaurants. Thus, to derive the total output of a product, it is necessary to collect the data from all producers of the product not just the principal producing industry. 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 collect industry data at a greater level of detail than ISIC rev 3. Industry data will, in the first instance, have to be treated as adequate proxy for product data at higher levels of aggregation.

For purposes of comparing total output and exports, until it is possible to collect and produce product detail, industry data will have to be used as proxy for product data. The output of services by industry will therefore have to be related to and lined up with the categories of EBOPS to calculate, very roughly, the relationship between output exports and imports.

3.0 STATISTICAL REQUIREMENTS

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. Tourism
4. Foreign Affiliate Trade Statistics (FATS) and Foreign Direct Investment (FDI)
5. Movement 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 be 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 sub sectors 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

Frequently 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 where there are a large number of small enterprises. 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. For the important "tourism" sector, travel receipts are estimated based on visitor arrivals and average length of stay, and average daily expenditure, using information from occasional visitor expenditure surveys.

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:

Step 1. Improvements in what is now collected

- i) deepening the level of disaggregation
- ii) direction of trade
- iii) treatment of offshore financial sector

- iv) coverage of service statistics v) response rate
- 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 given 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 the GATS sectors and sub sectors, 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 to lower levels of detail to enable better comparison with the GATS subsector level. *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 service industries, to compile data on the destination of exports of the services for which 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, where a minimum distinction is required between service exports to the CARICOM region and the Rest of the World.

- (iii) Offshore financial sector

Standardization of the treatment of this sector within the region is overdue, particularly in the context of trade negotiations. The issue needs in-depth examination. Some issues that arise are:

- Country differences in the legal definition of "offshore business" when combined with the IMP defining offshore enterprises as residents of the economies in which they are located (BPM5, paragraph 79) produce 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.

- If they are clearly 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, how should those credits be shown in statistics of International Trade in Services, the Balance of Payments and the National Income Accounts. If they are fees should they be treated not in the category financial services but rather as legal fees 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. Under which item should that Government income, be credited.

- Businesses, other than those belonging to the financial sector, whether they are domestically or foreign owned, may produce goods and services within the domestic economy by employing persons and renting or owning buildings. Even if they export 100% of their output or may be tax exempt or subject to lower rates of taxation, they need to be treated as part of the domestic economy and be shown to export 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, movement 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.

To the extent that collections in some countries 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.

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.

With respect to product detail, gradually every effort should also be made to move down to 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.

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 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.

3.2.2 Production Statistics

3.2.2.1 Needs

For policy purposes particularly 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.

In the industry dimension, ideally all the data items required for the Production Accounts of the System of National Accounts are required, 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.

Further, total industry revenues from sales and production should be broken down by products, ideally classified according to the three and selectively the four and five digit level of the Central Product Classification (v .1) .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.

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.

Each of them also has other more selective economic statistics survey programmes that may cover either one or both of the following, for example the main mining or manufacturing products for the compilation of the Index of Industrial Production, or 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.

3.2.2.3 Recommendations

Though for trade policy purposes, in order to be able to relate exports, imports and domestic production, what is 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 first instance, detailed industry data could be used as proxy for product data. The report shows how 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 next step should be to move to beginning to identify what service products are produced and to collect services product data.

It is recommended that:

- (i) countries improve the coverage and detail of services industries in their economy wide survey programmes as well as enhance data quality by improving response rates, by, *inter alia*, adopting the "best practice" within the region concerning particular data sets or survey techniques;
- (ii) countries 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) in order to improve response rates and coverage, a three-tier approach be followed:
 - (a) As is the current practice in some countries, 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) 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.

- (iv) special pilot surveys 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;
- (v) similar alternative approaches 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;
- (vi) eventually countries should start exploring the possibility of identifying the important products that each country produces and collecting data on their output.

3.3 Tourism Statistics

3.3.1 Needs

Given the importance of Tourism in the region, Tourism statistics are an area of high priority, for statistical collection. This 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 compiled. 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).

On the demand side, estimates of 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 tourist expenditure 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 important to measure how much the intermediate expenditure by Tourism related industries 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 Tourist related industries as compared to the rest of the economy.

3.3.2 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 who come on package tours. It is less reliable for business visitors, and not infrequently quite unreliable for travellers 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, travellers 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.

3.3.3 Recommendations

It is recommended that

- i) the countries of the region examine the new international standard, the TSA and see how far they can go towards adopting it;
- 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) 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;
- iv) CARICOM should help to facilitate regional workshops or regular exchange of information between the specialists working on tourism statistics in each country;
- v) a clear focal point should be identified in each country for co-ordinating the development of tourism statistics and cooperation within the region;

- vi) 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 be made to improve the basic data for this area.

3.4 Foreign affiliate trade statistics (FATS)

3.4.1 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."

Whereas for the GATS, it would be sufficient to separate data relating to domestic production into a foreign sector and a domestic sector based on the criterion of majority ownership by a foreign parent, for Protocol it is necessary to differentiate whether the foreign ownership is to be attributed to another country within the region or not.

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.

3.4.2 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 subset of existing data on resident companies accounted for by foreign owned firms.

Which of these variables named above the 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 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 analysing 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.

3.4.3 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 of foreign investment in majority foreign owned and controlled firms, to services output for the domestic market and exports and the amount of income and employment generated in the economy, classified by industry .(Inward FATS)

They also need to know the value of services output produced by foreign subsidiaries of domestically owned businesses. (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 n 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 n 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 country 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 Foreign Direct Investment abroad.

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 A country within the region. Whether this is possible in practice is something that would have to be further explored in the future

3.5 Movement of natural persons

(Section to be developed for Draft Report)

4.0 Major Findings and Recommendations

4.1 Importance of services statistics

Services producing industries, for which industry and product statistics are needed range from Construction services, Wholesale and retail trade, Hotels and restaurants, Transport Storage and communications, Financial intermediation, Real estate, renting and business services, Public Administration and defence, Education, Health and social work, and Other community, social and personal services. As compared to the goods producing industries of Mining, Manufacturing and the Utilities, Services industries are characterized by the need to collect data from a larger number of units because a larger proportion of their output is produced by small units.

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, anew area of rapidly growing interest to policy makers. To do so, they need an infusion of resources. 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 leave to be promoted. There also needs to be a greater c. 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.

Data on exports and imports of services are 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 to collect 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 have to be integrated. It is therefore most important that the two agencies cooperate in the collection of data. 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. 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. 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 of their international trade in services data, whether by expanding the program of the Central Banks or the Statistical Offices or both.

4.2 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.

(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, 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.

(2) The statistical agencies need to be given more staff to be able to follow up with respondents to obtain replies.

(3) The staff of statistical agencies needs 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.

4.3 Technical Assistance and Training

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.

Technical assistance and Guidance

Technical Assistance 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.

Particularly for the OECS region some member states need to draw upon the experience of other countries within the region and up-date the tourist expenditure patterns that are being used to arrive at their Travel figure.

Guidance could take the form of Manuals, Guidelines, Tools, Training and Technical Workshops for exchanging information and experience.

Training

Some of the areas highlighted for staff of statistical offices to be given training are the following:

- For interviewers, follow up training to improve response rates
- Estimation and imputation for non-response
- Questionnaire design

Tools

There now exist coding tools for industry coding to ISIC rev 3 which could be acquired.

Workshops

It is desirable that the staff of the statistical offices be given the opportunity to meet and discuss the framework recommended in the Manual on Statistics of International Trade in Services (MSITS) for adoption in their own countries. They should share experience and draw on best practice within the region to improve questionnaires and develop statistical programmes in each area that needs to be enhanced; for example, domestic production of services in the industry (and product) dimensions and FATS statistics.

A workshop should be held for staff from the region responsible for compiling Tourism Statistics. The coordinators should have an opportunity to understand the Tourism Satellite Account, and adapt it to the reality of their situations, in terms of detail. They

should be encouraged to compare their questionnaires and adopt best practice from within the region.

4.4 Inter-regional coordination.

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 database can be developed over time as more data become available.

4.5 Resources

(Section to be developed for Draft Report)

**ATTACHMENT II to
SCCS 2001/26/8**

**Strengthening the Capacity of
National Authorities and Regional Organisations
in respect of Services Statistics**

**Interim Report
Recommendations and Conclusions**

**Prepared for:
The Caribbean Community Secretariat**

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**Prepared by:
Shaila Nijhowne, Anna Ansmits and Noel Boissiere
Consultants**

October 2001

PREFACE

The Situational Assessment of the Statistical Capacity of National Authorities and Regional Organisations in Respect of Services Statistics required a) a detailed examination of the statistical data needs of users as well as of the relevant statistical programmes in the member countries of CARICOM carried out during Field Visits (completed); and b) intra-regional comparisons and evaluation of the findings (partially completed). Responses to some country-specific follow-up concerning recommendations and the associated resource costs are still outstanding. These will be incorporated in the Final Report.

The conclusions and recommendations presented in this interim report should be treated as tentative and preliminary. A more technical analysis and more detailed recommendations will be provided in the Final Report.

RECOMMENDATIONS AND CONCLUSIONS

Businesses classified by industry produce service products that are either domestically consumed or exported.

Domestic consumption is composed of domestically produced services and imports.

Statistics related to international trade in services and to domestic production of services are interrelated and need to be brought together and analysed in relation to one another.

Recommendations and Conclusions are discussed under five headings

I INTERNATIONAL TRADE IN SERVICES

The recommendations are for implementation in two consecutive steps:

Step 1. Improvements in what is now collected

Step 2. Move to widening coverage.

Specific areas for improvement in the statistics on international trade in services are addressed such as:

- (i) deepening the level of disaggregation
- (ii) direction of trade
- (iii) treatment of offshore financial sector
- (iv) coverage of service activities
- (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.

Efforts should also be made to increase the detail of data that are collected and compiled first to the level of detail of the Extended Balance of Payments Classification (EBOPS including the memorandum items), and where necessary to lower levels of detail to enable better comparison with the GATS sub-sector level.

Available data could then be assembled into categories to approximate the sectors and sub sectors of the GATS Sectoral Classification (GNS W/120), for the use of trade policy analysts.

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 service industries, to compile data on the destination of exports of the services for which 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, where a minimum distinction is required between service exports to the CARICOM region and the Rest of the World.

(iii) Offshore financial sector. Standardization of the treatment of this sector within the region is overdue, particularly in the context of the compilation of statistics for trade policy analysts and trade negotiators

The issue needs in-depth examination. Some issues that arise are:

Country differences in the legal definition of "offshore business" when combined with the IMP defining offshore enterprises as residents of the economies in which they are located (BPM5, paragraph 79) produce 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.

If they are to be clearly 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, how should those credits be shown in statistics of International Trade in Services, the Balance of Payments and the National Income Accounts. If the amounts accruing to the economy are fees should they perhaps be treated not as financial services but rather as legal fees paid to the domestic economy? How should their expenditure on the rental of buildings be treated? The case of financial companies that pay a flat or percentage tax, in addition to a registration fee, is more complicated. Under which item should that Government income, be credited.

Businesses, other than those belonging to the financial sector, whether they are domestically or foreign owned, may produce goods and services within the domestic economy by employing persons and renting or owning buildings, even if they export 100% of their output or may be tax exempt or subject to lower rates of taxation. They

need to be treated as part of the domestic economy and be shown to export 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, movement of natural persons rates 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.

To the extent that collections in some countries 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. In those cases, where this is not currently the practice, the coverage of surveys should be extended to cover the exports and imports of local companies.

Gradually every effort should also be made to collect more product data in order to move down to 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 programme 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.

(v) Response rate improvement. This is such an all pervasive factor in the capacity to produce reliable statistics on services that the subject is dealt with separately.

II DOMESTIC PRODUCTION OF SERVICES

For trade policy purposes, in order to be able to relate exports, imports and domestic production, what is 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 first instance, detailed industry data could be used as proxy for product data. The report shows how 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, therefore, is to expand industry detail and increase the depth, coverage and response rates of industry statistics and next step should be to move to beginning to identify what service products are produced and to collect services product data.

It is recommended that:

- (i) countries improve the coverage and detail of services industries in their economy wide survey programs, as well as enhance data quality , by updating their business registers and by improving response rates, by, inter alia, adopting the "best practice" within the region concerning particular data sets or survey technique.
- (ii) countries 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) In order to improve response rates and coverage, a three-tier approach be followed.
 - (a) As is the current practice in some countries, 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) 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.

(iv) To establish the most effective approach to obtaining information from certain industries, special pilot surveys be undertaken to estimate the number business units and their activity, as well as to estimate 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, and management consultants 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.

(v) Similar alternative approaches 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.

(vi) Eventually countries should start exploring the possibility of identifying the important products that each country produces and collecting data on their output.

III TOURISM STATISTICS

It is recommended that

(i) Countries of the region examine the new international standard, the TSA and see how far they can go towards adopting it.

(ii) Countries 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) Countries 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.

(iv) CARICOM help to facilitate regional workshops or regular exchange of information between the specialists working on tourism statistics in each country .

(v) A clear focal point be identified in each country for co-ordinating the development of tourism statistics and cooperation within the region.

(vi) A special effort 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 be made to improve the basic data for this area.

IV. FOREIGN AFFILIATE TRADE STATISTICS (FATS)

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 of foreign investment in majority foreign owned and controlled firms, to services output for the domestic market and exports and the amount of income and employment generated in the economy, classified by industry (Inward FATS)

They also need to know the value of services output produced by foreign subsidiaries of domestically owned businesses. (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 "t i 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 country 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 Foreign Direct Investment abroad.

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.

V CONCLUSIONS

1. Importance of services statistics

Services producing industries, for which industry and product statistics are needed range from Construction services, Wholesale and retail trade, Hotels and restaurants, Transport Storage and communications, Financial intermediation, Real estate, renting and business services, Public Administration and defence, Education, Health and social work, and Other community, social and personal services. As compared to the goods producing industries of Mining, Manufacturing and the Utilities, Services industries are characterized by the need to collect data from a larger number of units because a larger proportion of their output is produced by small units.

Statistical Offices in the OECD countries 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, as well as hotels and restaurants, in their regular programs. Most of them have received an enhancement in their budgets during the last 10 years to develop the areas of communication, finance and business services, education and health. Most of them are only now collecting services product data in their economic statistics programs.

The member countries of CARICOM, need to considerably expand their programmes of services statistics, a new area of rapidly growing interest to policy makers. To do so, they need an infusion of resources. 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 leave to be promoted. 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.

Data on exports and imports of services are 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 to collect 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 have to be integrated. It is therefore most important that the two agencies cooperate in the collection of data. 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. 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. 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 of their international trade in services data, whether by expanding the program of the Central Banks or the Statistical Offices or both.

2. Response Rates

A very serious problem with respect to the collection and compilation of services data in particular, seems to be the 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.

(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, 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 by helping them to enter international markets.

(2) The statistical agencies need to be given more staff 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.

3. Technical Assistance, and Training

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.

Technical Assistance and Guidance

Technical Assistance 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.

Particularly for the OECS Region, countries need to draw upon the experience of others within the region to up-date the tourist expenditure patterns that are being used to arrive at their Travel figure.

Guidance could take the form of Manuals, Guidelines, Tools, Training and Technical Workshops for exchanging information and experience.

Training

It would be very useful for the staff of statistical offices to be given training in the following areas.

Questionnaire design

For interviewers, follow up training to improve response rates

Estimation and imputation for non-response

Tools

There now exist coding tools for industry coding to ISIC rev 3 which could be acquired.

Workshops

The staff of the statistical offices should be given the opportunity to meet and discuss the framework recommended in the Manual on Statistics of International Trade in Services a- (MSITS) for adoption in their own countries. They should share experience and draw on best practice within the region to improve questionnaires and develop statistical programs in each area that needs to be enhanced for example, domestic production of services in the industry (and product) dimensions and FATS statistics.

A workshop should be held for staff from the region responsible for compiling Tourism Statistics. The coordinators should have an opportunity to understand the Tourism Satellite Account, and adapt it to the reality of their situations, in terms of detail. They should be encouraged to compare their questionnaires and adopt best practice from within the region.

4. Inter-regional coordination.

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 database can be developed over time as more data become available. Countries of the region should be encouraged to harmonise practices with respect to the collection and compilation of services statistics.

5 Resources

(Section to be developed for Draft Report) "

CARIBBEAN COMMUNITY SECRETARIAT

TWENTY -SIXTH MEETING OF
THE STANDING COMMITTEE OF
CARIBBEAN STATISTICIANS

RESTRICTED

SCCS 2001/26/8 Add. 1

Nassau, The Bahamas

24-26 October 2001

18 October 2001

**SIRENGTHENING THE CAPACITY OF NATIONAL
AUTHORITIES AND REGIONAL ORGANISATIONS
IN RESPECT OF SERVICES STATISTICS**

Attached for the attention of the Meeting is a Status Report on the Project Strengthening the Capacity of National Authorities and Regional Organisations in respect of Services Statistics.

Actions Required of the Meeting

2. The Meeting is invited to:
 - **note** the status of implementation of the Project Strengthening the Capacity of National Authorities and Regional Organisations in respect of Services Statistics.



STATUS REPORT

CARICOM PROTOCOL 11- TRADE POLICY AND FACILITATION
CIDA PROJECT No. 4431A-021 061- STRENGTHENING THE
CAPACITY OF NATIONAL AUTHORITIES AND REGIONAL
ORGANISATIONS IN RESPECT OF SERVICES STATISTICS

1. PROJECT CONTEXT

The context of the Project is the establishment of the Caribbean Single Market and Economy (CSME) and more specifically the implementation of Protocol II on the Right of Establishment, Provision of Services and Movement of Capital. In July 1997, Protocol II was opened for signature. The Protocol has since entered into provisional application -a provision to permit implementation of the Protocol whilst the national ratification process is ongoing.

Implementation of Protocol II requires the notification and removal of restrictions by Member States to the right of establishment, provision of services and the movement of capital. It is anticipated that with the full implementation of the Protocol, an environment would be created for trade in services with the Region. Critical to monitoring the implementation of the new activities envisaged in services is the ability to collect data and related information on all services activity -both on the production and trade aspects. The capability to monitor performance and provide information to decision makers for the preparation of policy positions and also inform international negotiations is considered to be an important imperative. Trends in services statistics will also be available to members of the private sectors, researchers and other regional organizations.

The Project incorporates a component on the Strengthening of Statistical Capabilities in Member States as it relates to trade in services. The Canadian International Development Agency (CIDA) has provided resources to conduct the required studies; to

determine the current situation within the Region; to identify the interventions that may be necessary to enhance Statistical agencies, nationally and regionally; to treat with services statistics; and to provide initial support for implementation of the new systems that will be required.

2. EXPECTED OUTPUTS

The activities under the statistical component to Strengthen Statistical Capabilities in Member States in Services Statistics are to:

- Conduct a situational assessment on Services Statistics in Member States; Develop a framework for enhancing the capabilities of National Statistical Offices;
- Plan and deliver Human Resource Development (HRD) programmes of short-term training workshops;
- Prepare and implement common guidelines for surveying, data collection analyses and processing of services statistics;
- Provide technical support to implement proposals.

For the conduct of the situational assessment the selected consultants were expected to undertake desk and field research in the areas of *production and international trade in services* and to execute the following tasks:

- (i) Questionnaire development, review of documents on services and briefing session:
 - Develop anew questionnaire (or refine the questionnaire that was submitted) to collect information prior to the start of the field research. This questionnaire was refined by the consultants based on comments from the CARICOM Secretariat and was also submitted to Member States by the Secretariat;

- Prepare an Inception report based on the responses and attend a briefing meeting at the Secretariat immediately before the start of the field work;
 - Review the Project documents relative to the wider project and the relevant studies in the field of services undertaken in the Region;
- (ii) Field research/briefing sessions to assess the capacity and capability of organizations concerned with services statistics:
- Engage in briefing sessions with the Secretariat and with regional and sub-regional organizations on the need for statistical data and information on the services sector;
 - Undertake travel to Member States to collect information with respect to the capacity and capability of Member States to collect, analyse and disseminate services statistics;
 - Embark upon a comprehensive assessment on the current state of services statistics in Member States, to incorporate information such as type of services statistics collected and disseminated, coverage and sources of data inclusive of data on Foreign Direct Investment (FDI), classification systems, methodology of data collection, collation, estimation of trade in services according to the modes of supply, current infrastructure supporting the collection and dissemination of services statistics and so forth;
- (iii) Development of a framework of interventions and preparation of recommendations on data collection of services statistics:
- Propose recommendations on the specific types of data to be collected and a broad-based methodological approach that can inform a system of statistics on services;
 - Develop on the basis of the national assessments a menu of interventions that identify areas that require strengthening, including human resource development, hardware development, technical systems development, physical facilities and so forth, to be presented in a comprehensive action plan to be implemented by phases over a period of three years.

3. OUTPUTS ACHIEVED

The actual outputs to date on this project component on the strengthening of Statistical capabilities of Member States in Services statistics are:

(i) Instituting of internal management structure to monitor the Project –

- A management structure was established at the level of the overall Project in the form of an internal management steering committee with oversight responsibilities on the administering of the component. This committee comprises members of different directorates within the Secretariat and meets at least once per month. A chairperson was also selected and a quorum was established;
- A component manager was also appointed with technical responsibility for the execution of the statistical component including preparatory work for the selection of the consultants, the management of the selected consultants, preparation of progress and evaluation reports and presentation of the draft and final reports of the consultants to the steering committee.

(ii) Conduct of Situational Assessment with respect to services statistics.

Preparatory Work for execution of statistical component -

- Terms of reference which were initially prepared were refined and completed;
- Member States were sensitised and then formally informed about the existence of the Project;
- Project infrastructure was established in Member States with the identification of a contact person in most cases from the national statistical offices;
- A selection panel was constituted and the criteria for the selection of consultants were formulated. The criteria included- expertise, demonstrated experience, financial and technical proposals, inclusive of the cost and a questionnaire that was required to be submitted on services statistics, regional experience, availability, qualification and language;

- Consultants were then invited to submit curriculum vitae, technical and financial proposals and a draft questionnaire;
- Consultants were then short-listed and a final decision made, based on the criteria by the recruitment sub-committee;
- The selected consultants were: Ms. Shailabala Nijhowne, Ms. Anna Ansmits and Ms. Noel Boissiere all of Canada and with a combined wealth of regional and international experience in areas which include, Services Statistics and related Classification Systems, National Accounts, Balance of Payments and several other areas as well as being members of international expert groups such as the Voorbug Group on Trade in Services. This team was by far the most experienced and knowledgeable as compared to the other combinations.

(iii) Organization of field and desk research:

- The contracts for the consultants were prepared and submitted to them for acceptance. The contracts were then finalised and arrangements were then made for the release of funds from the Project. This task was a critical to the advancement of the Project;
- The arrangements with respect to travel to and within the region were activated and completed with the assistance of the contact persons in Member States. This included several time- consuming activities pertaining to the booking of hotels, the scheduling of appointments, organization of the briefing meeting at the Secretariat and so forth i.e. ensuring that the logistics for the field research were in place;
- Relevant documents pertaining to services statistics in the region were reproduced and submitted to the Consultants prior to their arrival in the Region;
- The necessary logistics were instituted for the arrival of the consultants in Guyana, which signalled the commencement of the field research.

(iv) Actual execution of field research/holding of Briefing Meeting and Start of Field Research -

- The Briefing Meeting was held at the Secretariat on August 15. The Consultants were introduced to the Secretariat Staff and the Secretariat Staff were also asked to formally introduce themselves to the Consultants, the context of the project relative to the establishment of the Caribbean Single Market and Economy (CSME) was elucidated, the formal contracts were presented to the Consultants for signatures, the terms of references were comprehensively reviewed, and clarified as required, outputs to be submitted by the consultants were discussed relative to the time schedule and also the field logistics;
- The Consultants and the Secretariat staff present at the meeting engaged in discussions on the Project and on key issues pertaining to Services Statistics and Classifications, WTO, Telecommunications and so forth;
- The Inception report was also presented by the consultants;
- Other Meetings with staff from the Secretariat who could not attend the Briefing Meeting were arranged and further discussions were held relative to the project;
- Guyana's phase of the field research commenced on August 18th with visits to the national statistical office and other key government departments and institutions;
- The consultants then proceeded on visits to Member States according to the schedule that were agreed on between the Secretariat and the Consultants;
- Monitoring of the field research was undertaken to ensure that the necessary arrangements were made with respect to meetings, hotel bookings or that adjustments of the schedule were communicated to all parties;
- The field research was completed on September 16th, 2001,

4. FUTURE ACTIVITIES

(i) Submission of Draft Report

With the completion of the field research, it is anticipated that the consultants will prepare and submit to the Secretary-General of the Caribbean Community, the draft report outlining the findings and recommendations from the activities undertaken under the situational assessment. While the expectations were that this report should be submitted by October 14th, the Secretariat asked for this report to be submitted earlier than this date to enable its presentation to some of the stakeholders, the trade statisticians from Member States who will be attending a CARICOM meeting. It is expected that this Draft Report will be made available in summary form during the first week of October, 2001. To date an Interim Report was submitted to the Secretariat for presentation at the Meeting of Statisticians, Trade Experts and Customs Officials (STECO).

(ii) Convening of Review Meeting.

The Review Meeting is scheduled for October 30, 2001 at the Secretariat. At this meeting the findings and recommendations of the Consultants will be reviewed including the determination of the way forward. Tentative bookings (flights) and other arrangements have already commenced for the Consultant's visit for this meeting.

(iii) Submission of Final Report

It is expected that the final report will be submitted approximately one month after the Review Meeting.

(iv) Planning for Workshop and Technical Assistance

Plans are underway with respect to the organization of the Workshop activity. A host country has been tentatively identified. Decisions with respect to the organizations who are to participate in this workshop have been taken and these will include the statistical offices, central banks and immigration departments. The workshop budget has been estimated. Terms of reference for the Consultant/resource person have also been prepared in draft. The notification of this meeting should be communicated in late November/early December.

Options have also been formulated with respect to the technical assistance activity to assist Member States in implementing aspects of the recommendations. This activity should be completed by the end of February-

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