



Overview of the Compilers Guide for MSITS 2010

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Outline

- **Importance of MSITS 2010**
- **Structure of MSITS 2010**
- **The Compilers Guide for MSITS 2010 (CG MSITS 2010)**
 - **Origins and aim**
 - **Structure, main content**
 - **Drafting process**
 - **Most recent meeting of the UN Expert Group**
 - **Timeline**



Importance of MSITS 2010

- Primarily a guide for statistical compilers;
- it can aid enterprises and other entities that need to monitor developments in international services markets;
- a useful tool for users of statistical information in connection with **international negotiations** on trade in services;

The General Agreement on Trade in Services (GATS): is the most well-known and wide-reaching agreement and is encompassing services

- need for statistics has fuelled the demand for a more comprehensive and better-integrated approach to statistical issues entailing trade in services.

The MSITS is useful in guiding negotiations and supporting implementation of the agreements;



Changes elaborated in the new version of MSITS

An important feature of *MSITS 2010* is a description of the modalities through which services may be supplied, of which the GATS identifies four:

- ✓ *cross-border;*
- ✓ *consumption abroad;*
- ✓ *commercial presence and*
- ✓ *presence of natural persons.*

Distinctions among these modes are based on whether the service supplier and the consumer are present in the same country or in different countries when the transaction is effected



Changes elaborated in the new version of MSITS

Consequences of BPM6 and updated SNA (SNA 2008)

- ✓ *Processing of goods and Repairs and maintenance of movable goods* to be reclassified from goods to services (two main components in EBOPS)
- ✓ *Merchanting* to be moved in the opposite direction (removed from *Other business services*)
- ✓ *Other Business Services* component to be split and replaced by three main BOP/EBOPS categories:
 - *Research and development services*
 - *Professional and management consulting services*
 - *Technical, trade related and other services*



Changes elaborated in the new version of MSITS

Inward and outward FATS

- ✓ A clearer separation of inward and outward FATS in Chapter 4

Analytical index

- ✓ An additional analytical annex

Service export and import prices

- ✓ An additional annex on service export and import prices

BOP versus FATS

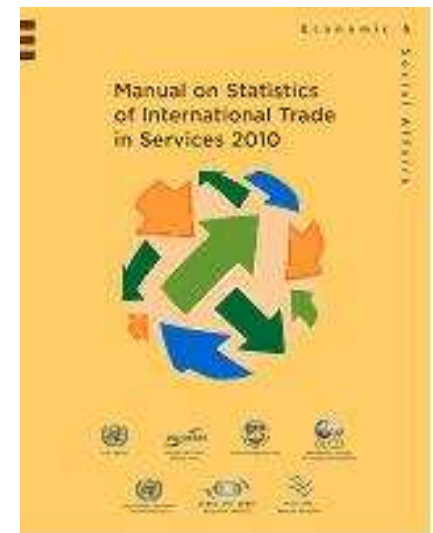
- ✓ Integration of a clear distinction between BOP resident / non-resident statistics and FATS statistics



Structure of MSITS 2010

Chapters of MSITS 2010

- **Summary**
- **Chapter I - General introduction and foundations of the Manual**
- **Chapter II - Conceptual framework for the development of statistics on international trade in services**
- **Chapter III - Services transactions between residents and non-residents**
- **Chapter IV - Foreign affiliates statistics and the international supply of services**
- **Chapter V - Trade in services statistics by mode of supply**





MSITS 2010 printed and electronic version

MSITS 2010 is available in Arabic, Chinese, English, French, Russian and Spanish in printed and electronic version

<http://unstats.un.org/unsd/tradeserv/TFSITS/manual.htm>

Main Aim of the Compilers Guide for MSITS 2010

The UN Statistical Commission endorsed the implementation programme for the adopted MSITS 2010 particularly for drafting a Compilers Guide for MSITS 2010. The TFSITS supported the establishment of a UN Expert Group, aiming to help UNSD to carry out the project.

The main aim of the CG MSITS 2010 is to provide practical advice, good country examples and pitfalls (to be avoided) in the implementation of MSITS 2010 to produce high quality official statistics on international trade in services.

It should be useful for both developed and developing countries and should reflect practices for all regions of the world.



Main Aim of the Compilers Guide for MSITS 2010

The Guide aims to complement the BPM6 compilation guidance on balance of payments statistics, focusing on the compilation of data by EBOPS 2010 categories, by trading partner and by mode of supply.

The Guide places particular emphasis on the compilation of trade in services data by partner country, for while many countries have provided, or are working towards providing this level of detail, most countries currently do not comply with this important recommendation of the MSITS 2010.



Main Aim of the Compilers Guide for MSITS 2010

The Guide includes more detailed compilation guidelines for FATS as far as it relates to the international supply of services, and provides guidance on how to compile statistics on the modes of supply on the basis of a new analytical framework.

The Guide recognizes the importance of data quality, metadata and the use of IT tools in the production process of SITS and contains guidance and advice relevant to those areas of statistical work.



Structure of the CG MSITS 2010

- The organization of the Guide largely follows the logic of the standard statistical process.
- The structure of the CG-MSITS was decided to consist of 4 parts which breaks further into 21 chapters:
 - Part I. General Framework
 - Part II. Data Collection
 - Part III. Data Compilation
 - Part IV. Cross cutting issues
- It was decided that the Compilers Guide would take full account of the draft versions of the Compilation Guides for Balance of Payments 6th Edition (BPM6) and the International Recommendations on Tourism Statistics (IRTS 2008).

Part I of the Guide provides an overview of general frameworks which underpin the SITS production

- conceptual frameworks (chapter 1),
- legal frameworks (chapter 2)
- institutional arrangements (chapter 3)

Part II focuses on data collection

- Overview of data sources within the modes of supply framework (chapter 4),
- Registers and survey frames (chapter 5),
- Enterprise and establishment surveys (chapter 6),
- Surveys of persons and households (chapter 7),
- International transaction reporting system (chapter 8)
- Administrative records (chapter 9)
- Other data sources (chapter 10)
- Comparing data sources (chapter 11).

The part is discussing the use of ITRS and other data sources to be used to produce more details on service categories and trading partners.

The business register / creation and maintenance is discussed

International Transaction Reporting System (ITRS) – pros and cons

Advantages	Limitations
<ul style="list-style-type: none">- Timely and short periodicity of data compilation- Comprehensiveness- Limited number and stability of respondents (banks reporting on behalf of their clients)	<ul style="list-style-type: none">- Difficult to manage with an increased number of transactions- Growing share of inter-company transactions with netting practices- Transactions proxied by settlements- Possible misclassifications of services items (it would be the case with EBOPS 2010)- Geographical allocation may be biased (country of settlements versus country of transactions)- Use of thresholds (simplification or exemption) with effects on data accuracy (see Chapter 8 C)

Description of the parts CG MSITS 2010

Data sources – case of Uruguay

Administrative sources		Other sources	
Basic	Secondary		
Tax authority (D.G.I. Dirección General Impositiva)	Internal economic surveys INE	Phone directory (yellow pages)	Web pages
Social Security agencies(B.P.S. Banco de Previsión Social, Caja Bancaria, Caja Notarial, Caja de Profesionales)	Other public agencies:	List of associated members to commercial chambers	Press information and publicly traded company information
	Ministry of Tourism, Ministry of Transport		
	Superintendencies		

Survey of Computer Software and IT Services Export – case of India

4. Exports - Modes of Supply

Total invoice on software and IT services exports as per the Modes of Supply during the reference period

Exports - Modes of Supply	April-June 2009 Invoice Value (Rupees)	July-Sep 2009 Invoice Value (Rupees)	Oct-Dec 2009 Invoice Value (Rupees)
(i) Services provided/ rendered to foreign entities/ persons from Indian office (Cross border supply)			
(ii) Services provided/ rendered to foreign entities/ persons while they are on visit to India			
(iii) Onsite services provided by deputing employees abroad			
Total	0	0	0

Household Surveys – outbound business travel – case of the Netherlands

Q47 | Description of business trip abroad

How would you describe your < Q35 > business trip abroad to < Q38 >?

- 1 meeting
- 2 marketing and sales (sales, recruitment, signing of contracts, marketing and promotion)
- 3 installation or repair activities
- 4 military assignment
- 5 research, teaching, consultancy
- 6 cultural, artistic, religious or sporting activity
- 7 visit to suppliers
- 8 visit to clients
- 9 visit to head office, branches, etc.
- 10 conference, trade fair, seminar
- 11 training
- 12 incentive (trip paid for by the employer for motivational purposes/as a reward)
- 13 company excursion
- 14 other (please specify)...
- 15 don't know

Use of the common VAT system – case of the Czech Republic

- The common system of VAT in the EU/EEA area is designed conveniently especially for the estimation of imports of services from other EU countries because of so-called reverse-charge procedure in VAT as a general rule of trade in services. According to this general rule/a the place of supply of services is (for taxable purposes) the place where the recipient is established/b. Moreover, any legal person receiving a service became a taxable person. In other words, any legal person receiving almost any service provided by a foreign entity is supposed to be registered for VAT and declares the import of services (and relating VAT) in its VAT declarations. As a result import of services, more intricate to survey than export side, is almost wholly covered by VAT declarations (only the import of services by persons without VAT obligations are not).
- VAT declarations represent the most reliable administrative data sources. In the Czech Republic they are used for statistics that are available monthly, approximately 50 days after the end of a month.
- In the Czech Republic data from VAT declarations are exploited for various statistical purposes relating to the trade in services. Firstly, they are used for identification and updating of the population of the statistical survey on foreign trade in services (ZO 1-04). The total population consists of residential legal units selling or purchasing services to/from non-residents. The sample survey is conducted quarterly and its respondents are selected annually (for all the following four quarters) according to the combination of criteria (CZ-NACE activity, number of employees, turnover) up to 5 000 respondents. VAT declarations are usually used as an additional data source in order to identify omitted importers and exporters by these criteria. VAT declarations are also used to update of the survey sample during the year, as it contains up-to-date data.
- Secondly, in the future we plan to use VAT declarations as a primary data source for grossing up the value of services (to the whole population) for trade with the EU countries. Unfortunately, the item 'trade in services with non-EU countries' is declared in the Czech VAT form along with other items not related to services and as such cannot be identified separately. Therefore the VAT declarations could not be used for grossing-up of trade with non-EU countries in the Czech Republic.
- Apart from VAT declarations themselves, there is also another related administrative data source which may provide detailed information on export of services into the EU. VAT Information Exchange System (VIES) is a supplementary data system to VAT declarations relating, among other things, to reverse-charge procedure on provision of services to non-resident seated in other EU member state. The provider of services (exporter) is obliged to report detailed information on provided services, such as recipient's country according to the seat and recipient's VAT number. These data may be valuable especially for analytical purposes and may help to identify links between related companies.

Other data sources

- Customs records for use in freight and insurance services
- Immigration information and entry/departure records
- Payment cards data
- Mobile phone records
- Big data

Description of the parts CG MSITS 2010

Comparison of data sources: Travel item

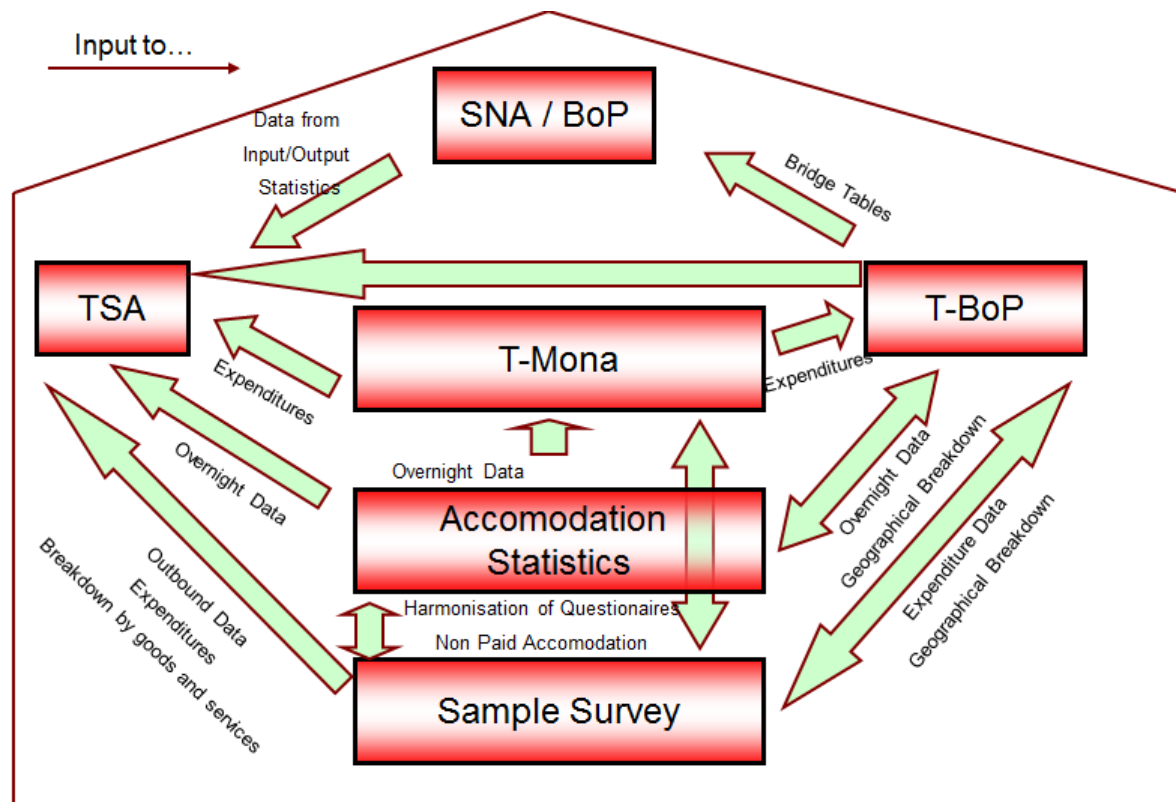
	Enterprise and Establishment Surveys	Surveys on Persons and Households	ITRS	Administrative Records	Other Data Sources
C	<p><Export> (++) cover major resident suppliers, e.g. travel agencies, hotels, hospitals, education facilities</p> <p><Imports> (-) do not cover non-resident suppliers</p>	<p><Export> (++) border surveys capture expenditures by non-residents</p> <p><Imports> (+) border or household surveys capture expenditures by residents</p>	<p><Im/Export> (++) cover settlements by resident and non-resident travel agencies</p> <p>(+) capture large amount of expenditure by travellers</p> <p>(+) data of foreign exchange companies cover most foreign exchange transactions by individuals</p> <p>(-) does not capture travel arrangements through internet</p> <p>(-) does not cover settlements under thresholds</p>	<p><Im/Export> Registration of immigration office can be used for identifying number of travellers</p> <p>(-) possibility of abrupt suppression of sources</p>	<p><Import> (+) cover most credit/debit card payments</p> <p>(+) mobil phone records can be used for identifying number of travellers</p>
A	(+) high	<p>(-) possibly depend on unrepresentative samples</p> <p>(-) travellers may not identify cost components of package tours</p>	<p>(-) payments and services may not be in the same period</p> <p>(-) foreign exchange data do not represent entire expenditure and can include non-travel payments</p>	(-) such data may not identify travellers correctly	(-) credit/debit card data can include non-travel payments
T	(-) lag of more than one month, quarterly	(-) lag of more than one month, quarterly or annually	(+) lag of a few days, monthly	(+) lag of a few weeks, monthly	(+) lag of a few weeks, monthly
R	(+) can incorporate expenditure by products partially	(++) can incorporate detailed questions, e.g. expenditure by products	(-) cannot be designed easily so that travel expenditures are correctly collected and detailed data by expenditure are collected	(-) cannot be designed easily so that travellers are correctly identified	(+) if non-travel amounts can be excluded
B	<p><Report> (-) high</p> <p><Process> (-) high in case of the difficulty of grossing up</p>	<p><Report> (-) high for high-response-rate household surveys</p> <p><Process> (-) high for border surveys in operation costs</p> <p>(-) high if grossing up survey results is difficult</p>	<p><Report> (-) high especially for banks reporting on behalf of transactors</p> <p><Process> (+) low once implemented</p>	<p><Report> (++) low if no additional work</p> <p><Process> (+) high in terms of coordination</p>	<p><Report> (+) low if no additional work</p> <p><Process> (+) high in terms of coordination</p>

Part III elaborates various issues of data compilation.

- Introduction and overview of data compilation within the modes of supply framework (chapter 12)
- Integration of data from different sources (chapter 13)
- Resident/non-resident trade in services statistics (chapter 14)
- Compilation of FATS and the international supply of services (chapter 15)
- Compilation of other indicators for modes of supply (chapter 16)
- Estimation and modelling of missing data, forecasting or back-casting (chapter 17)

Description of the parts CG MSITS 2010

Interconnection of the different data sources – in the case of Statistics Austria



Source: Statistics Austria

Description of the parts CG MSITS 2010

Conceptual allocation of trade in services by modes

<i>EBOPS components</i>	<i>Mode(s)</i>					
	<i>1</i>	<i>2</i>	<i>4</i>	<i>1 and 4</i>	<i>2 and 4</i>	<i>3 and 4</i>
Manufacturing services on physical inputs owned by others		X				
Maintenance and repair services n.i.e.		X				
Transport	X					
• Passenger	X					
• Freight	X					
• Other						
– Postal and courier services	X					
– Service to domestic carriers in foreign ports (and vice versa)		X				
– Other	X					
Travel		X				
• Goods						
• Local transport services		X				
• Accommodation services		X				
• Food-serving services		X				
• Other services		X				
Construction						X
• Goods						
• Services						X
Insurance and pension services	X					
Financial services	X					
Charges for the use of intellectual property n.i.e.*	X					
Telecommunications, computer, and information services				X		
• Telecommunications services	X					
• Computer services				X		
• Information services	X					
Other business services				X		
• Research and development services				X		
• Professional and management consulting services				X		
• Technical, trade-related and other business services						
– Architectural, engineering, scientific and other technical services				X		
– Waste treatment and de-pollution, agricultural and mining services						

Description of the parts CG MSITS 2010

FATS compilation – the case of Vietnam

Vietnam

15.1. In Vietnam data on foreign direct investment enterprises are collected and compiled through an Annual Enterprises Survey (AES) conducted by the General Statistics Office (GSO) since 2003. AES cover all FDI enterprises in Vietnam. According to the results of Establishment Census 2012, number of FDI enterprises is 9500. The separation out of GATS FATS enterprises from the list of FDI enterprises could be presented using the criterion of over 50% foreign ownership. So Department of Trade and Services Statistics (GSO) can compile the data of the Inward FATS.

15.2. The statistical unit of the inward FATS statistics in Vietnam is *enterprise*. Nearly all twelve inward FATS variables can be obtained from the Annual Enterprise Survey data. The FATS variables which are presently collected by the Annual Enterprise Survey include: basic variables such as sales, turnover, output, employment, and additional variables such as: assets; net worth, operating surplus, gross fixed capital formation, taxes on income; R&D expenditure, compensation of employees. Beside these variables, some more detailed indicators of main activity of FATS enterprises can be also compiled based on the data filled in questionnaire of result on main activity as manufacturing, construction, distribution, transportation, financial services, insurance and some others. All above variables can be compiled, is also published annually comprising different detailed tables breakdown by country/kind of activity; kind of activity/country.

15.3. The data of Exported/Imported goods are collected from the Customs resource through matching customs database and enterprises survey database based on the tax code of each enterprises which are provided by tax office/register office whenever the enterprises finished all register schedule. The data of service exports and imports of some enterprises are collected through ITS sample survey quarterly/annually.

15.4. The classification of enterprises by type of activity was determined in accordance with the Vietnamese Standard Industry Classification of Economic Activities 2007 (VSIC 2007). The sectors covered in the inward FATS of Vietnam are:

- Section B: Mining and quarrying
- Section C: Manufacturing;
- Section D: Electricity, gas, steam and air conditioning supply
- Section E: Water supply, sewerage, waste management and remediation activities
- Section F: Construction
- Section G: Wholesale and retail trade; repair of motor vehicles and motorcycles
- Section H: Transportation and storage
- Section I: Accommodation and food service activities
- Section J: Information and communication
- Section L: Real estate activities
- Section M: Professional, scientific and technical activities
- Section N: Administrative and support service activities
- Section P: Education
- Section Q: Human health and social work activities
- Section R: Arts, entertainment and recreation and
- Section S: Other service activities.

Data sources and their uses in the compilation of movements of persons under modes 2 and 4 - The European experience

Box 16.1 European experience

In the Czech Republic foreign individuals must apply to a small business supervision office for a small business licence either in person or in writing using the appropriate form. All new entries and changes are recorded at the "Register Court" and published nationally. This means that flows and stocks of mode 4 could be observed since additionally, the commercial register feeds the business register. Therefore, demographics of the businesses can be derived. ID numbers are valid for legal entities that are registered in the commercial register, foreign individuals and units of foreign individuals. Also the Slovak registers include information on organization which covers: a) Industrial enterprises with number of employees 20 and more, registered in the Companies Register, b) Industrial enterprises with number of employees up to 19 (inclusive), registered in the Companies Register, c) Physical persons (private individuals) acting on the basis of small business authorization according to Act No. 455/1991. This, means that accordingly mode 4 self-employed persons could be derived from the registers, since they are obliged to register their activity at the Court. Once the registration is done, according to their economic activity the Court assigned the appropriate indication of the activity for further steps and procedures e.g. hair dresser are assigned to another department or institutional unit than e.g. engineers and different rules apply for different professions. This information is submitted directly to the Business Register maintained by the Statistical Office. Accordingly, information on industry activity, size class, number of employees, type of ownership is included in the submitted information. For business services the relevant number of mode 4 self-employed persons could be defined since the relevant size class zero employees and 1 employee are recorded.

In those countries where the compilers have a direct access to the business register or can link their own BoP register with the business register, the self-employed category is accessible. For example in EU under 6E - very small enterprises should be included in the business registers. The European BR regulation states that all enterprises carrying on economic activities contributing to the GDP with at least half a person employed shall be included in the registers. For example the Slovak business register encompasses information on all kind of activities. Business register attributes such as residence, subject of enterprise, legal type and related characteristics, birth/death of organization, size categories, sector categories, and type of activity/passivity are classified by code lists. These code lists are very broad and include a number of variables relevant for mode 4. Therefore, it is recommended that this legal type (Physical persons (private individuals) acting on the basis of small business authorization) and size class (micro enterprises) could be preferably used as a first indication on mode 4 number of self-employed persons'.

Chapter 7 of the business register manual stipulates which legal units must be recorded in business registers. Namely, relevant information for mode of supply is available under 8D – external sourcing of ancillary services and 8E – Activities of workers under exclusive contracts. There are many activities that involve the services of workers under exclusive contracts: "Commercial representatives, travelling salesmen, insurance agents. Such workers may or may not be treated as employees of the enterprise, depending on the nature of the contract binding them to the enterprise". Therefore, it is recommended to incorporate this information in the register and to extract further information on mode 4 persons. The paragraph also indicates the status of the person as an employee, or self-employed.

Part IV covers several key cross-cutting topics and provides guidance on

- Metadata (chapter 18)
- Data quality management (chapter 19)
- Data and metadata dissemination (chapter 20)
- Use of information and communication technology (chapter 21).

The chapter on Metadata describes concept and structure of SITS metadata as well as good metadata compilation practices. It underscores that that metadata are relevant for the correct understanding of the content, coverage and limitations of the data, and should guide users on their correct interpretation.

The way forward: metadata warehousing - the dissemination of data and metadata becomes integrated with the collection and processing components of the statistical production process

The chapter on quality management provides an overview of basic concepts and definitions used in quality management, is focused on quality assurance frameworks, quality measurement and reporting and country practices in reconciliation studies, cross-country comparability and bilateral data exchanges. It includes the Template for a Generic National Quality Assurance Framework (NQAF).

Template for a Generic National Quality Assurance Framework (NQAF)

Template for a generic national quality assurance framework (NQAF)

1. Quality context

- 1a. Circumstances and key issues driving the need for quality management
- 1b. Benefits and challenges
- 1c. Relationship to other statistical agency policies, strategies and frameworks and evolution over time

2. Quality concepts and frameworks

- 2a. Concepts and terminology
- 2b. Mapping to existing frameworks

3. Quality assurance guidelines

- 3a. Managing the statistical system
 - [NQAF 1] Coordinating the national statistical system
 - [NQAF 2] Managing relationships with data users and data providers
 - [NQAF 3] Managing statistical standards
- 3b. Managing the institutional environment
 - [NQAF 4] Assuring professional independence
 - [NQAF 5] Assuring impartiality and objectivity
 - [NQAF 6] Assuring transparency
 - [NQAF 7] Assuring statistical confidentiality and security
 - [NQAF 8] Assuring the quality commitment
 - [NQAF 9] Assuring adequacy of resources
- 3c. Managing statistical processes
 - [NQAF 10] Assuring methodological soundness
 - [NQAF 11] Assuring cost-effectiveness
 - [NQAF 12] Assuring soundness of implementation
 - [NQAF 13] Managing the respondent burden
- 3d. Managing statistical outputs
 - [NQAF 14] Assuring relevance
 - [NQAF 15] Assuring accuracy and reliability
 - [NQAF 16] Assuring timeliness and punctual
 - [NQAF 16] Assuring timeliness and punctuality
 - [NQAF 17] Assuring accessibility and clarity
 - [NQAF 18] Assuring coherence and comparability
 - [NQAF 19] Managing metadata

4. Quality assessment and reporting

5. Quality and other management frameworks



Time frame for completion of CG MSITS 2010

- (1) The drafting of the CG is being done by an editor
- (2) The Task Force on Trade Statistics will review the draft at its meeting in October 2013
- (3) Members of the virtual meeting will be asked to final review the text (including the issues the editor is drafting and the Task Force will provide)
- (4) Summarize the comments made by the virtual meeting; elaborate changes in the text based on the summary as well as the Task Force comments
- (5) The full draft version is to be provided to the SC in **2014**.