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**UK Balance of Payments and Trade Statistics
Quality Review**

Prepared by the U.K.'s Office for National Statistics

Project Initiation Document
Version 1.0

UK Balance of Payments and Trade Statistics
Quality Review

June 2002 - March 2003

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1. Introduction

1.1 Background

With the launch of National Statistics, the principle of all key outputs being subject to quality reviews was established. The Government's white paper *Building trust in statistics*, highlighted the need for a programme of quality assurance through a series of reviews. The following Project Initiation Document (PID) forms the basis for the review of Balance of Payments and Trade Statistics.

1.2 Outputs

Balance of payments and Trade statistics are key macro-economic indicators covering information collected and published by HM Customs & Excise, and the Office for National Statistics. The statistics measure economic transactions between United Kingdom residents and the rest of the world. As a member of the international community, the UK follows international standards relating to balance of payments and international investment position (BoP&IIP) statistics based on the conceptual framework of the *IMF Balance of Payments Manual - Fifth Edition*, and merchandise trade statistics based on the *UN's International Merchandise Trade Statistics- Concepts and Definitions (IMTS)*. Conforming to the international frameworks ensures:

- that the UK's official BoP&IIP statistics comply with objective, coherent international standards that reflect current global analytic needs.
- that data are suitable for comparison and reconciliation between countries. As well as appearing as a separate output, balance of payments and trade appears as the rest of the world sector within the national accounts.

The main components that make up balance of payments and trade, include:

- exports and imports of goods
- exports and imports of services
- income flows
- transfers
- financial flows

As part of the presentation of balance of payments, the international investment position (IIP), a closely related set of statistics, measures the UK's stock (or level) of foreign financial assets and liabilities at a particular date. Data are also produced on a geographical basis ranging from an annual breakdown of the current account transactions with sixty-five countries, to a quarterly breakdown with European Union and Non-European Union countries, USA, Japan and Canada.

The bop & trade review aims to cover quality issues relating to the outputs discussed above. Some information, such as price indices and volume measures are, out of the scope of the review due to the size of the output and the resource available to complete the review.

2. Project Definition

2.1 Objectives

The main objectives of the BOP & Trade quality review are to:

- confirm whether statistics are fit for purpose.
- identify areas where they are not.
- specify realistic, achievable action plans, and address each identified area.

To do this, we need to decide on the best type of review to conduct based on the characteristics of BOP & Trade statistics. Once the review type has been established, the main aims will be to consult with users and stakeholders to gain a wider view on the quality of the statistics currently produced. This will confirm whether current outputs are fit for purpose and identify areas for development based on the feedback received.

2.2 Method of Approach

The review will be conducted according to the guidelines issued by the ONS quality review programme support team. See website for details;

http://www.statistics.gov.uk/methods_quality/quality_review/downloads/Review_Guidance_reworked_v1.2.doc

2.3 Scope

Balance of payments and trade statistics has been split into six broad categories for the purpose of the review. Within these areas, we will aim to identify the main uses of the statistics and determine whether the current outputs satisfy user needs, as well as identify whether the current inputs and key outputs are of an adequate quality. In line with Eurostat's approach, quality in this case encompasses:

- *Relevance* - The appropriateness of the statistics to the users' needs.
- *Accuracy* - The ability of the outputs to closely match the actual value of the outputs being measured.
- *Timeliness* - Latest estimates, concepts and methodology being published to a timetable mutually agreeable to stakeholders, users and suppliers.
- *Accessibility* - Data that are easily accessible to users in the form they desire. Data include, documentation and guidance in interpreting the statistics.
- *Comparability* - Data are most useful when we are able to make comparisons over time and between countries producing similar statistics.
- *Coherence* - Since balance of payments and trade statistics originate from various sources, we need to ensure that the statistics are based on common definitions, classifications and methodological standards. Where this is not possible, we need to explain clearly any differences in compilation.
- *Completeness* - Statistics should not only be appropriate to users' needs, but should try to serve those needs as fully as possible given restricted resources.

It is important to point out that there is a trade off between quality considerations. The most obvious example is the trade off between timeliness and accuracy. Therefore, we are aiming to achieve the correct balance between the quality items discussed above.

We will also ensure that methodologies used to produce the statistics are in line with best practice. The main areas that the review will cover are:

- Merchandise Trade (and BoP Trade in goods)
- Trade in Services
- Income
- Current Transfers
- Financial Account
- International Investment Position

For an indication of the suggested scope of the quality review for these statistics, see Annex A.

2.3.1 IMF Data Quality Assessment Framework (DQAF)

We have completed a draft self-assessment of UK Balance of Payments using the IMF DQAF. It is not a final document and we would like to keep updating and fine-tuning it in line with the Quality Review. We will include it with the Quality Review main documents on the website and we would welcome comments on it from users and suppliers and BoP compilers.

2.3.2 Current prices

Balance of Payments is measured in current prices only. Components within trade statistics are also calculated at constant prices for GDP purposes. Due to the size of the data set involved and the timescale, the review would not be able to cover all of the issues relating to current and constant prices, so the review is planned to concentrate on current price outputs only (see exclusions, Section 2.4).

2.3.3 Survey data

A large number of inputs are based on survey data, from a wide variety of sources. The review will aim to investigate the use and application of survey data in the compilation of balance of payments and trade statistics. Data suppliers including, the Bank of England, HM Customs & Excise, ONS business surveys and private companies who survey members on behalf of the ONS will be included in the scope of the review. Detailed ONS survey methodology is covered by a programme of regular reviews and so falls outside the scope of this review, although in some cases user consultation could still influence these inputs.

2.3.4 Data management

The systems used in the compilation of statistics play a major role in determining the quality of key outputs. As part of a wider programme looking into the efficiency of ONS systems, the review team will appraise the current systems used to generate outputs.

2.4 Exclusions from Review Scope

The assurance of a number of areas within balance of payments and trade statistics lies outside the scope of this review.

2.4.1 Derived Trade in Goods products

Currency of Invoicing is a product derived from Trade in Goods statistics that is not classed as a National Statistics output. Whilst user needs of this output may be identified during the course of the review, the quality of the methodology and output lie outside the scope of this review.

2.4.2 Prices and volume

Prices and volume cover specific issues that impact on trade statistics. Due to the size of the data set involved in the BoP and trade statistics review, it is not planned initially to spend a lot of time investigating the compilation of constant price estimates and the indices used. However, we will record any strong views users may have on this issue, and review the scope after the consultation exercise. Work to develop export and import prices will continue in any case, particularly within the Eurostat programme to improve deflation methodology. A National Statistics Quality Review on Deflation is planned in the future.

2.5 Deliverables and Desired Outcomes

A measure of the review's progress and success will be the achievement of specified desired outcomes by the due dates. These deliverables will be quality assured through regular feedback (see sections 6 & 7). The desired outcomes from the review are:

- A list of issues to explore in more detail (end September).
- A list of options detailing how we might improve the quality of BOP & Trade statistics (end December).
- Final report on quality (end February).
- Implementation plan (end March).

Some of these outcomes may feed into subsequent reviews.

3. Initial Business case

3.1 Reason for Review

The review of balance of payments and trade statistics is part of the wider National Statistics programme of quality reviews.

3.2 Expected Benefits

Carrying out the quality review will identify areas for development and ensure that bop and trade statistics are fit for purpose. The review will also ensure that the business areas responsible for generating outputs, support the principle of continuous improvement to the quality and value of key outputs.

3.3 Costs and Timescale

The review takes place over the financial year 2002/03 based on the following outline:

- Consultation with users, stakeholders and other interested parties (June 2002 - September 2002).
- Undertake investigations, develop options and discuss with users and stakeholders (September 2002 - end December 2002).
- Final report with recommendations (January 2003 - end February 2003).
- Initial implementation plan (February 2003 - end March 2003).

There is no separate funding for the review. Costs will be covered within current budgets.

3.3.1 Draft Project Initiation Document (PID), including scope of review (end June)

The scope of the review, included in the project initiation document, will be drafted and agreed by the review team, sent to the Economy Theme Working Group for comment, then presented to the review board for approval.

3.3.2 First meeting of the review board (July 2002)

The main objective of the first meeting is to approve the draft project initiation document and in particular, the scope of the review. Once the PID has been agreed, it will be published on the National Statistics website.

3.3.3 Consultation with users, stakeholders and other interested parties (June 2002 - September 2002)

An outline plan of the consultation process is given in section 6 of this document. The review team will seek feedback from users and stakeholders who have an interest in their particular area of work. Responses will be co-ordinated for appraisal by the review team before the next phase begins. No evaluation will take place at this stage, simply an analysis of the responses received.

3.3.4 Develop options and discuss with users (September 2002 - end December 2002)

Within this stage, there will be a review board meeting to discuss the main issues identified, and to discuss the approach we intend to take to address these issues. Users and stakeholders will be consulted regarding the initial options proposed. Once they have been agreed with interested parties, the review board will be asked to agree the final set of options prior to the initiation of the next stage.

3.3.5 Produce final report (January 2003 - end February 2003)

The review team will prepare a draft of the final report, including a summary of the recommended course of action. The report will be circulated to the review board for final approval, at the start of February, before presentation to the National Statistician. **Final report** - The final report will be published on the National Statistics website.

3.3.6 Implementation plan (February 2003 - end March 2003)

Within three months of publication of the final report, a plan to implement recommendations highlighted in the report will be made available on the National Statistics website.

3.3.7 Costs

Resources allocated to carry out the review will be found within current budgets. Given below is a profile of staff resources needed, over an eight-month period, based on monthly input to the project.

0.05 X 1 Project Sponsor

0.025 X 8 Review Board Members

0.4 X 1 Review Manager

0.1 X 4 Review Team Members

0.1 X 1 Review Support Person

4. Type of Review

The review has been allocated as a Standard review, which applies to key outputs of major importance, where the purpose of the review is to ensure that the statistics are of a good quality and are fit for purpose. For further details see guidance notes.

5. Organisation Structure

5.1 Quality and Methodology Programme Board (Q&MPB)

The Q&MPB is responsible for managing the national statistics quality assurance programme. Its role has been to establish and keep under active review an effective system for quality assuring National Statistics outputs.

5.2 Theme Working Group (TWG)

All official statistics, which come within the scope of National Statistics, have been allocated to one primary 'Theme'. There are twelve themes in all, and each theme is managed by a Theme Working Group which, amongst other tasks, is responsible for planning and scheduling a programme of reviews covering the

theme's main outputs. The Economy Theme Working Group has scheduled the balance of payments and trade statistics quality review. Since HM Customs & Excise statistics fall under the Economy theme and the Commerce, Energy & Industry (CE&I) theme, the CE&I TWG will have input into the project.

5.3 Review Board

Responsible for overseeing the work of the review team, the review board's main function is to provide strategic direction and quality assurance for the review. The review board will manage available resources to ensure that the review meets its objectives according to the timescale set out in the quality review guidelines.

Members	Organisation	Role
Stuart Brown	ONS, BOP Division	Project Sponsor
Peter Matheson	HM Treasury	Senior User
Anand Mehta	DTI, UK overseas trade & current a/c	Senior User
Duncan McKenzie	International Financial Services, London (IFSL)	Non-Government User
Carole Rennie	ONS, BOP Division	Review Manager
Graeme Walker	ONS, Financial and Accounting Surveys	Senior Supplier
Simon Whitaker	Bank of England	Senior User
Sandra Tudor	HM Customs & Excise	Senior Producer
David Canham	ONS, project guidance	Correspondence member

Main responsibilities of the review board are to:

- agree project's scope.
- provide an external perspective.
- take into account wider issues relating to the programme and work area involved.
- quality assure the review process.

5.4 Review Team

The review team is responsible for delivering outputs identified by the review board. The review requires substantial input from the business area teams responsible for the output (hence the make up of the team), particularly in providing data, details of methodology and the underlying principles. The review team will be fully involved in establishing the options for change and in determining relative merits.

Members	Organisation	Role
Carole Rennie	ONS, BOP Division	Review Manager
Simon Humphries	ONS, BOP Division	BOP&IIP Statistician
David Ruffles	ONS, BOP Division	Trade in goods Statistician
Jennie Tse	ONS, BOP Division	Trade in services Statistician
Sharon Hudd	HM Customs & Excise, SATU	Merchandise Trade Asstn Statistician

6. Communication Plan

6.1 Interested Parties

The communication plan for the bop & trade review aims to identify all stakeholders outside the review team and agree information needs, including frequency and methods of communication. The review team will disseminate information through various channels. The table below summarises the communication plan.

6.2 Information Required

Stakeholders	Project Initiation Document (PID)	Review Reports	Review Board Minutes	Final Report	Implementation Plan
Review Team	*	*	*	*	*
Review Board	*	By Request	*	*	*
Theme Working Group	*	By Request	By Request	*	*
Other Interested Parties	By Request		By Request	*	*
Website users	*			*	*

6.3 Method of Communication

- Main documents will be made available on the National Statistics website under quality review for the economy theme. This is the website reference:

http://www.statistics.gov.uk/methods_quality/quality_review/economy.asp

- A series of presentations to major users and stakeholders will take place to inform them of the balance of payments and trade statistics review project.
- Review Board meetings will be managed by exception to minimise the burden on members. The first meeting will be convened to confirm agreement of the PID before it is made available on the website. Further meetings will be arranged to sign-off the end of a review stage and commission the next stage.
- The consultation process will involve mailing information and a questionnaire to identified users and suppliers within and outside of government. Personal interviews may also be used as part of the process.

6.4 Frequency of Communications

- Presentations for major users and stakeholders will be held to coincide with user group and departmental liaison meetings.
- A maximum of four review board meetings will be held throughout the life of the project. Additional meetings will only be convened if there are exceptional issues to discuss.

- A mailshot containing a questionnaire and background information will go out to users, follow up actions will be based on replies to the initial contact.

7. Consultation Plan

Bearing in mind that the main reason for the balance of payments and trade review is to assess whether the outputs meet user needs, it is vital that we seek input from a wide variety of users and stakeholders. The review team will compile a comprehensive list of users to be consulted, and will also consult with key users participating in various, relevant user groups, such as the Balance of Payments User Group and the International Trade Statistics User Group.

8. Quality Assurance Plan

The quality plan specifies how the review team intends to deliver outcomes that meet users and stakeholders (the review board) quality expectations, and the quality standards set out by the National Statistics programme team.

- The BOP & Trade quality review will be run according to the guidelines set out by the Quality & Methods Programme Board. A member of ONS National Statistics Policy Division, David Canham (also secretary of the Economy TWG), will provide advice on practice and procedure. This will involve a Quality Assurance role and will help to ensure that this review draws on lessons learned from previous reviews.
- Issues will be discussed with users and stakeholders before progressing project stages.
- The review team will receive feedback from stakeholders, users, and other interested parties.
- The review board will oversee the process of consultation and development.
- The review board will contain at least one non-government independent external member.

The following key documents will be made publicly available as the review progresses:

- The project initiation document which will include the scope of the review.
- The final review report, with response by the National Statistician.
- An initial implementation plan

9. Review Plan

The review plan provides a description of how and when the project's objectives are to be achieved. The plan shows the major deliverables (see section 2.5), management stages and major control points of the project. See below.

10. Evaluation

The review process will be evaluated at the end of the project by the Review Team and agreed by the Review Board. This will provide an additional quality assurance check of the project and may prove to be useful for impending reviews within National Statistics. Evaluation:

- Ensures that the aims and objectives set out in the PID have been met.
- Captures and disseminates lessons learned from the process.
- Records any follow-on recommendations that may lead to smaller, targeted reviews.

11. Review of Risks

Risk No.	Description	Likelihood	Severity of Effect	Countermeasure(s)
1	Regular outputs take priority over the project.	Medium	Medium	Organise team so that resources are dedicated to the project for a specified time throughout its life.
2	Scope of the review is much larger than expected.	Medium	Medium	Carefully monitor the size of the review. Cover core issues in the main project, and conduct a smaller review, at a later stage, for less major issues.
3	Quality review meets the stated requirements but does not fulfil expectations.	Low	High	Ensure communication plan is adhered to. Receive regular feedback from users, stakeholders and other interested parties at each stage.
4	Review team and/or review board experiences staff changes.	Medium	Medium/High	Ensure project work is documented. Review sponsor will ensure that adequate resources are available to cover commitment to the project.

12. Contact

If you have any comments or questions on the balance of payments and trade statistics project initiation document, please write to:

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