

# Recent Developments and Current Initiatives



Statistics Department  
2008

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## **IMF STATISTICS DEPARTMENT MISSION STATEMENT**

The availability of high-quality statistics is an essential prerequisite for the formulation of appropriate macroeconomic and financial policies. The Statistics Department provides strong leadership for the development and application of sound statistical practices in the Fund, in member countries, and in the international statistical community at large. In this endeavor, the Statistics Department plays a pivotal role in the development of internationally accepted methodologies and standards, provides technical assistance and training to promote the adoption of these standards, and models best practices in the dissemination of economic and financial statistics.

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## FOREWORD

*Recent Developments and Current Initiatives* reports on the activities undertaken in support of the mission of the Statistics Department of the International Monetary Fund.

The Statistics Department has adapted to the many changes in the IMF and the international statistical community. In particular, the work program has been designed to actively support the strategic directions elaborated in the Fund's Medium-Term Budget. (These strategic directions are outlined on the last page of this report.) Particular emphasis is being placed on enhancing our statistical services to support global, regional, and country-based surveillance, including work on globalization, macrofinancial linkages, financial soundness indicators, and capital account issues. Technical assistance, inclusive of training, continues to be a major focus of the department.

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### *Selected Abbreviations*

*1993 SNA = System of National Accounts 1993; 2008 SNA = System of National Accounts, 2008; BOPSY = Balance of Payments Statistics Yearbook; BPM5 = Balance of Payments Manual, fifth edition; BPM6 = Balance of Payments and International Investment Position Manual, sixth edition; CDIS = Coordinated Direct Investment Survey; DOTS = Direction of Trade Statistics; DOTSY = Direction of Trade Statistics Yearbook; DQAF = Data Quality Assessment Framework; GDDS = General Data Dissemination System; GFSM 2001 = Government Finance Statistics Manual 2001; GFSY = Government Finance Statistics Yearbook; FDI = Foreign Direct Investment; FSIs = Financial Soundness Indicators; IFS = International Financial Statistics; MFSM = Monetary and Financial Statistics Manual; PRSP = Poverty Reduction Strategy Papers; RSNs = regional strategy notes; ROSC = Report on the Observance of Standards and Codes; SDDS = Special Data Dissemination Standard; SRF = Standardized Report Form*

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## I. INTRODUCTION

1. This report, prepared on the occasion of the IMF's 2008 Annual Meetings, summarizes the activities of the IMF's Statistics Department during the past year, as well as the direction and main priorities in the near term. The version available at the occasion of the IMF's 2008 Annual Meetings has been updated to reflect the Statistics Department's response to the financial crisis of the fall 2008. The note is designed to provide member countries and the international statistical community with an overview of the Statistics Department's work program to assist countries more effectively in developing their statistical capacity and strengthening collaboration.

2. The Statistics Department provides statistical products and services that respond to the analytical and policy needs of the IMF, member countries, and the international community. This year's report reflects the alignment of the department's core areas of activity with the strategic directions in the IMF's medium-term budget to meet the challenges of globalization. The Statistics Department's activities encompass the following:

- Data management and publications;
- Standards for data dissemination;
- Support of surveillance;
- Statistical methodologies;
- Capacity building and training; and
- International statistical coordination and cooperation.

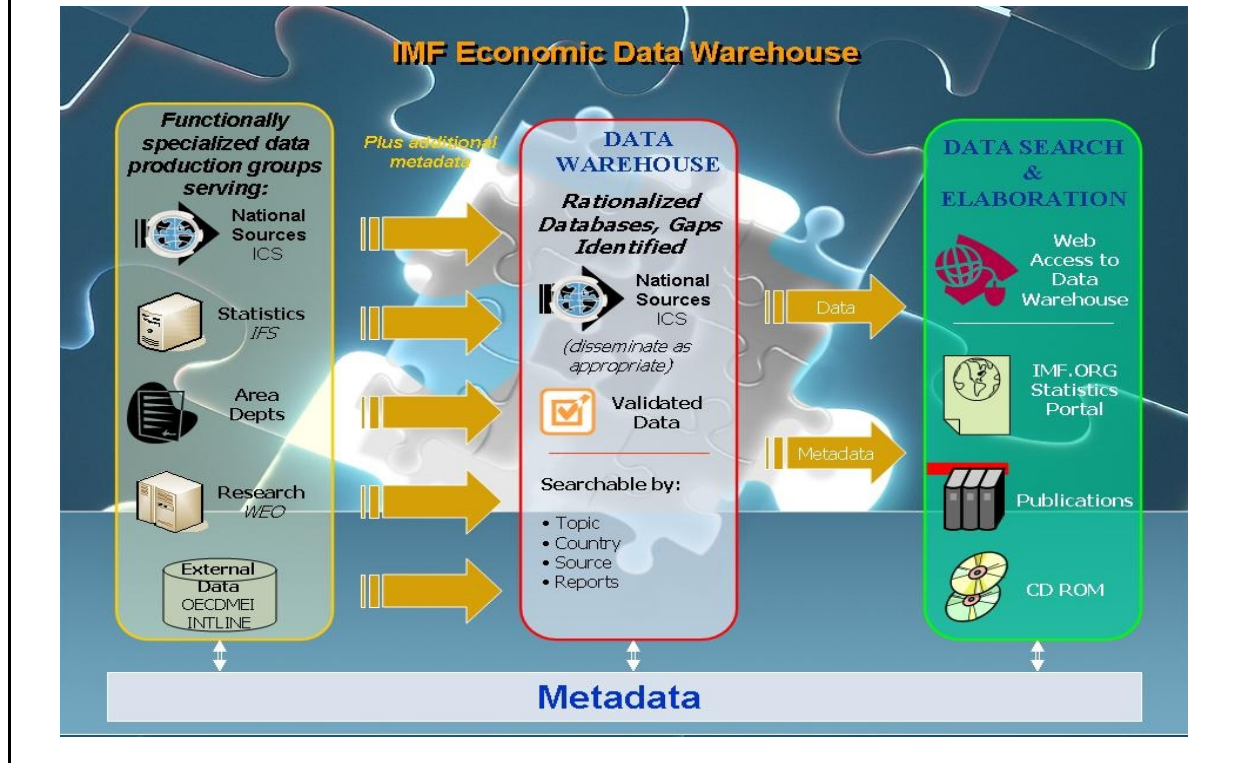
3. The main elements relating to each of these activities are outlined in the summary of the Statistics Department's business plan for fiscal year 2009 (May 1, 2008 to April 30, 2009) that is included in this note.

## II. DATA MANAGEMENT AND PUBLICATIONS

### A. Data and Metadata Warehouse (IMF.Stat)

4. The IMF's economic data warehouse, IMF.Stat, was released to IMF staff in the spring of 2008. An important strategic initiative, IMF.Stat offers a rich and growing collection of macroeconomic and financial data and supporting metadata. IMF.Stat includes features designed to present key information in data views and facilitate the search, retrieval, comparison, and export of data and metadata. Ongoing collaboration with the Organisation for Economic Cooperation and Development (OECD) has resulted in an increased pace of development and significant cost savings to both organizations. Box 1 presents the IMF's perspective on the organization and management of data and metadata to enhance the way data are collected, stored, documented, managed, and disseminated. The Statistics Department is responsible for maintaining the IMF's central macroeconomic databases of country, regional, and global statistics that cover about 300 countries and regional groupings. IMF.Stat brings

### Box 1. A Vision for the Fund's Economic Data Warehouse



together the IMF's key economic statistics and related metadata to enhance access to and communication about vital information that could eventually be disseminated to outside users.

### B. Statistical Data and Metadata Exchange (SDMX) Initiative

5. SDMX, a framework for data transfer among international organizations and from national statistical agencies, is designed to reduce the data provision burden on member countries, facilitate access to data and metadata, and increase timeliness in the availability of statistics. The Statistics Department has established data exchange arrangements with the OECD and has begun working with the Food and Agricultural Organization to provide exchange rates from *International Financial Statistics (IFS)*. A data structure definition for balance of payments data has been developed and a small pilot for data collection will commence this fall. If successful, this will offer a new data transmission option to countries and potentially reduce their reporting burden. The Data Quality Assessment Framework (DQAF) remains an important point of reference for the forthcoming SDMX metadata content standard. Additional information on the SDMX is available at <http://www.sdmx.org/projects/index.aspx>.

6. Since March 2006, external debt data from both the debtor and creditor perspectives have been disseminated from the Joint External Debt Hub hosted by the World Bank. This project is an SDMX pilot undertaken by the Bank for International Settlements, the IMF, the OECD, and the World Bank.

### **C. Division Dedicated to Data Management**

7. The Statistics Department moved toward a process-oriented data management environment with the creation of the Statistical Information Management Division (SI) in January 2007. By centralizing the department's data management functions and staff, SI has been able to provide (1) leadership in the delivery of quality statistical products and services; (2) promotion of cost-effective and best work practices in data and metadata management in the IMF, development of the Statistics Department's information management and technology strategies, and management of statistical information technology development and its applications; (3) data collection and internal client services on behalf of the Statistics Department and other Fund departments; and (4) dissemination of the Statistics Department's data products and external client support. The division oversees several major capital projects, including development of the economic data warehouse and a project to create a statistics portal that builds on IMF.Stat. A number of enhancements to the Integrated Correspondence System (ICS), the web-based data reporting system developed by the Statistics Department for use by country data reporters, have facilitated the reporting of country data. ICS will soon be made available to Special Data Dissemination Standard (SDDS) subscribers to facilitate the provision of their metadata and to countries wishing to provide balance of payments data via SDMX.

### **D. Statistical Publications and Data Dissemination**

8. An important goal of the statistical publications program is to achieve the widest possible coverage of member countries and to present country data in internationally comparable form. This, in turn, has encouraged members to adopt internationally recognized statistical standards and to report statistics in a regular and timely manner through the network of official statistical correspondents. Countries that are not covered in the statistical publications are encouraged to develop a system for the regular publication of data and report them to the Statistics Department.

9. The Statistics Department has initiated a multiyear project to improve the way the statistics that are reported by countries are disseminated to external users. A key goal of the Economic Data Dissemination Project is to provide an attractive, easy-to-understand interface for users to access data and metadata (the explanatory information that provides context and meaning to the data). The project builds on the successful internal deployment of IMF.Stat, the economic data warehouse, and aims to increase the timeliness and efficiency of data publishing.

10. Research was conducted in the spring of 2008 to ascertain the needs of both existing and potential users. The results of this research have informed plans for a suite of online data products to meet a range of user needs. Over the coming year, the detailed design and development will take place. These products will broaden the IMF's ability to fulfill its outreach and public good responsibilities, while maintaining and enhancing the revenue stream that enables the continued strength of the statistical publication program.

11. The Statistics Department produces four main statistical publications: *International Financial Statistics*, *Balance of Payments Statistics Yearbook (BOPSY)*, *Direction of Trade Statistics (DOTS)*, and *Government Finance Statistics Yearbook (GFSY)*. Online versions of the *BOPSY* and *DOTS* were released in January 2007 (available at [www.imf.org](http://www.imf.org)) and the online



*GFSY* will be released in September 2008. These products are also available in printed form<sup>1</sup> and on CD-ROM. A complete presentation of IMF statistical publications is included in the *IMF Publications Catalog*, available from Publications Services (telephone: +1-202-623-7430; e-mail: [publications@imf.org](mailto:publications@imf.org)), or on the IMF website ([www.imf.org](http://www.imf.org)).

12. An important development has been the presentation of key indicators from selected databases in the IMF's new data visualization facility, the IMF Data Mapper, available on the IMF's website. The visual representation of statistics enables the user to see patterns and relationships not easily discernable in statistical tables and can offer a more compelling view of the data.

13. The *IFS* currently contains financial and economic statistics for 178 member countries and for the Central African Economic and Monetary Community, the Eastern Caribbean Currency Union (ECCU), the Euro Area, Hong Kong SAR, Macao SAR, the West African Economic and Monetary Union, the West Bank and Gaza, and four nonmembers (Anguilla, Aruba, Montserrat, and the Netherlands Antilles).

14. The quarterly *IFS Supplement on Monetary and Financial Statistics* contains monetary and financial statistics for those countries that report data using the standardized report forms (SRFs) in accordance with the *Monetary and Financial Statistics Manual (MFSM)*. Data for 108 countries will appear in the September 2008 issue of the *Supplement*. The *Supplement* will continue to be published throughout 2008 presenting data for additional countries but ultimately will be consolidated within the main *IFS* publication.

15. The August 2007 issue of the *IFS* began presenting summary monthly and quarterly government finance statistics (GFS) using the analytical framework of the *Government Finance Statistics Manual 2001 (GFSM 2001)*. These data, which are based on an integrated set of financial statements covering stocks and flows, are aimed at supporting enhanced fiscal policy analysis. By September 2008, the *IFS* will include subannual fiscal data for 75 countries, of which 50 countries are using the *GFSM 2001* framework to report their data.

16. The *BOPSY* database contains data on balance of payments statistics for 185 jurisdictions and on International Investment Position (IIP) statistics for 114 jurisdictions, virtually all reported in the format recommended in the fifth edition of the *Balance of Payments Manual (BPM5)*. Further, these annual and quarterly data are published monthly via CD-ROM and the online database.

17. The *GFSY* provides annual statistics for nearly 100 countries in the framework of the *GFSM 2001* that are presented at the levels of the consolidated general government, along with relevant subsectors (e.g., central government). The *GFSY* database will soon be available on the IMF's website and will continue to be available in two CD-ROM products: (1) the Government Finance Statistics Database and Browser on CD-ROM (1990–present in *GFSM 2001* format), released on a quarterly basis and providing various analytical presentations of the annual time series for all reported subsectors of general government; and

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<sup>1</sup> Starting in 2008, the *GFSY* will be available only in electronic format. See paragraph 17 for the availability of *GFSY* products.

(2) *A Manual on Government Finance Statistics, 1986 (GFSM 1986)* Historical Database and Browser on CD-ROM (1972–89), containing time series of annual GFS data compiled prior to 1990, using the analytical framework of the *GFSM 1986*. The print publication of the *GFSY* will be discontinued effective in the fall of 2008, as summary monthly, quarterly, and annual statistics in *GFSM 2001* format are now published in the *IFS*.

18. The *Direction of Trade Statistics Yearbook (DOTSY)* database provides annual bilateral trade data on the value of imports and exports of goods for 182 countries and major regional groups. Exports and imports are based upon both country data and estimation procedures designed to reduce gaps in reported values. The *DOTS* quarterly database is widely used within the IMF for trade policy analysis. This quarterly publication presents data for 158 countries and major regional areas. It is supplemented by a monthly CD-ROM and online database.

### **E. Statistical Issues Arising from the Current Global Financial Crisis**

19. The integration of economies and markets, as evidenced by the financial crisis spreading worldwide, highlights the critical importance of relevant statistics that are timely, and consistent within as well as comparable across countries. The emergence over the past several years of a consistent economic statistics system covering traditional datasets (national accounts, balance of payments, fiscal, and monetary statistics) and the data transparency initiatives, such as the IMF's Special Data Dissemination Standard, have advanced this agenda. Indeed, these datasets provided warnings, for instance in the surge in the ratio of gross cross-border assets and liabilities to GDP for industrial countries, as well as more broadly in global imbalances.

20. The recent events underline the importance to go beyond traditional statistical approaches to obtain a set of timely and higher-frequency real and financial indicators, at least for systemically important countries in more innovative ways. Indeed, the speed at which the crisis developed highlighted the need for indicators that could support early warning efforts. This entails, among other things, a new perspective in assessing the trade-off between timeliness and completeness.

21. Moreover, in order to further help assess macro-financial risks and systemic vulnerabilities, there is a need to address certain data gaps at the international level:

- improve the timeliness of selected datasets and, in some instances, increase frequency;
- continue to increase the number of country reporters with the focus on those most systemically important;
- improve coverage of nonbank financial institutions, including those segments of the financial sector where the reporting of data is not well established, as well as that of institutions and markets where sizable risks may have developed;
- pursue the statistical work on derivatives markets that are used to bolster leverage in the system; special purpose vehicles; other off-balance sheet operations; and ultimate risk measures in order to monitor credit risk transfers; and
- have more systematic coverage of housing finance markets; house prices; and households' financial and nonfinancial assets and liabilities.

22. The international agencies (the BIS, ECB, Eurostat, IMF, OECD, World Bank, and UN) already have a number of joint initiatives that address specific macro-financial risks and vulnerability issues. These include the development of a framework that links sectoral balance sheets (Balance Sheet Approach) to provide important insights into mismatches (i.e., maturity, currency, and capital structure); the joint work of the BIS, IMF, OECD and World Bank to promote external and public sector debt data and cross-border position datasets covering bilateral (“from whom to whom”) datasets; and the work of the BIS, ECB, and IMF to improve data on the overall size and key segments of securities markets.

23. Each organization pursues its own area of specialization that helps shed more light on specific risks and vulnerabilities. For instance, the IMF will begin, in 2009, to collect indicators of bank soundness that cover consolidated groups and will pursue its work on government’s financial and economic conditions that will ensure appropriate recording of the flows and stocks arising from the various rescue operations.

24. Statisticians, economic analysts, and policymakers need to communicate to promote analytical work that explores the potential interconnections among the interrelated datasets, both real and financial.

25. The IMF set up in November 2008 an internal ad-hoc working group across several IMF departments with the Statistics Department taking the lead. The focus is on financial statistics. The idea is to obtain a set of timely and higher-frequency indicators, as referred to above, at least for systemically important countries. Also, to further help assess macro-financial risks and systemic vulnerabilities, there is a need to identify the data gaps and coverage of selected data sets.

26. Enhancing further statistical collaboration among international organizations to address macro-financial risks will initially be done through the establishment of an interagency group on financial statistics, led by the IMF and comprising the BIS, the ECB, and the OECD. The group would draw on the statistical expertise of each international agency to address the range of information requirements listed above. Once this work is well-grounded, the scope might be expanded toward other macroeconomic statistics and include other relevant international organizations.

27. The information on this initiative will be made readily available so that other interested parties are kept informed.

### **III. STANDARDS FOR DATA DISSEMINATION**

28. The Special Data Dissemination Standard (SDDS) was established in March 1996 to guide members that have, or that might seek, access to international capital markets in providing their economic and financial data to the public. The General Data Dissemination System (GDDS), established in December 1997, is intended to guide all members of the IMF and forms the other tier of the IMF’s data dissemination initiatives. Both the SDDS and GDDS promote the dissemination of timely and comprehensive statistics and thereby contribute to the pursuit of sound macroeconomic policies and an improved functioning of financial markets. There are currently 64 SDDS subscribers and 94 GDDS participants—a total of about 85 percent of Fund membership. See Box 2 for further details.

## **Box 2. The IMF's Data Dissemination Initiative After Ten Years**

Prompted by the widely held view that the severity of the emerging market crises of the 1990s was partially attributable to a lack of timely macroeconomic and financial statistics, the international community asked the IMF to develop voluntary standards for the dissemination of economic and financial statistics. The SDDS was established in 1996 followed by the GDDS in 1997.

Currently, 158 of the IMF's 185 member countries participate in the Data Dissemination Initiative. Furthermore, the initiative is now an integral part of the international financial architecture, and financial market participants and member country governments consider that it has helped improve the functioning of international financial markets and contributed to global financial stability.

*The IMF's Data Dissemination Initiative After 10 Years*, edited by William E. Alexander, John Cady, and Jesus Gonzalez-Garcia (published in April 2008), reviews the origins of the initiative and describes the experience with the SDDS and the GDDS. The book details how the SDDS was enhanced in 1999 with the introduction of the reserves template as an additional required element, followed later by the addition of requirements related to external debt and the international investment position.

The volume also includes empirical papers on the market efficiency effects of the initiative. They provide evidence that participation, in particular for SDDS subscribers, helps reduce both sovereign borrowing costs and exchange rate volatility.

The book concludes with a discussion of future challenges and possible enhancements to the initiative. Clearly, as the global economy continues to develop and becomes more interconnected, new data needs will develop that should be covered for the Data Dissemination Initiative to remain relevant. In addition, because the concept of data transparency is not yet a universally accepted notion, continuing efforts will be needed to expand participation to include countries that do not subscribe to the SDDS or participate in the GDDS.

### **A. The SDDS**

29. Currently, about one-third of the IMF membership subscribes to the SDDS. Countries subscribe to the SDDS voluntarily and undertake to observe its requirements with respect to the coverage, periodicity, and timeliness of the economic and financial data to be disseminated and with respect to disseminating advance release calendars. SDDS subscribers undertake to pursue good practices with respect to the integrity and other quality aspects of the data. They also provide information about their data dissemination practices and compilation methodologies (“metadata”) for posting on the Dissemination Standards Bulletin Board (DSBB) on the IMF website at <http://dsbb.imf.org>. Subscribers maintain an Internet website, referred to as a National Summary Data Page (NSDP), which contains the actual data. The DSBB is electronically linked to these websites.

#### **Experience with the SDDS**

30. An indicator of the impact of the SDDS is the improvement in subscribers’ ability to meet release dates. During the first quarter of 2008, approximately 91 percent of monthly and quarterly data categories were released on the announced day of release. In 2000, only about 72 percent of monthly and 68 percent of quarterly data categories were released as announced on the DSBB.

31. At the Sixth Review of the Fund's Data Standards Initiatives in November 2005, the Executive Board supported the staff's preparation of annual reports on subscribers' observance of SDDS undertakings with the aim of promoting observance and enhancing the credibility of the standard. These reports began with the year 2006 and were published in 2007 for all SDDS subscribers. In May 2008, observance reports for the year 2007 were posted on the DSBB.

32. The annual observance reports review subscribers' observance of SDDS undertakings regarding the data coverage, periodicity, and timeliness; the punctuality of data releases relative to the advance release calendars; the data dissemination on the NSDP; and the metadata certification during the reference year. The reports also include a link to the data module of the Reports on the Observance of Standards and Codes (ROSCs) (see section IV.C for further details) where relevant, and they mention IMF staff observations on data quality from the most recent IMF Article IV reports for the respective countries.

33. The annual observance reports for 2007 show that most subscribers generally improved their performance compared with 2006. When divided into three subgroups (subscribers without issues, subscribers with minor issues, and subscribers with major issues), a comparison of the annual reports shows that subscribers' dissemination practices improved in all three groups.

### **The conversion of metadata into the structure of the Data Quality Assessment Framework**

34. During the Sixth Review of the Fund's Data Standards Initiatives, the Executive Board agreed that IMF staff should undertake reformatting the SDDS and GDDS metadata into the structure of the DQAF<sup>2</sup> with the aim of streamlining the Statistics Department's work in data standards, in technical assistance delivery, and in the data module of the ROSC. The staff began reformatting SDDS subscribers' metadata in the DQAF in March 2006 and completed the reformatting in June 2008. The DQAF metadata are posted on the DSBB, and customized queries are now possible both by SDDS dimension and DQAF indicator.

### **The new SDDS Guide**

35. *The Special Data Dissemination Standard: Guide for Subscribers and Users* was released in July 2007. The *SDDS Guide* replaces the provisional May 1996 *Guide to the Dissemination Standard*. The *Guide* amplifies, and in some instances clarifies, issues in the provisional document. It delineates substantive and operational characteristics of the SDDS, including those pertaining to the DSBB. It also aims to prepare GDDS participants to advance to become SDDS subscribers and to facilitate subscription to the SDDS. The *SDDS Guide* and its translations in Arabic, French, Russian, and Spanish are posted on the DSBB.

36. To familiarize subscribers with the new guide and to review recent developments and future work programs of the SDDS, the Statistics Department has conducted regional seminars on the IMF's Data Standards Initiatives for the European region and for the Asia and Pacific Region. The European seminar was held in Frankfurt, Germany, in October 2006 and was

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<sup>2</sup> Section IV.B of this note provides additional details on the DQAF.



hosted by the European Central Bank (ECB). The seminar for the Asia and Pacific Region was held in Daejeon, Korea, in December 2006 and was hosted by the Korea National Statistical Office.

## **B. The GDDS and Statistical Capacity Building**

37. The GDDS is a framework to help participating countries improve their macroeconomic and sociodemographic statistics in a structured manner. The GDDS facilitates the comparison of a country's current statistical practices with internationally recognized good practices and the preparation of a country's strategic plan on how to make improvements in its statistical system. It guides countries in their efforts to produce and disseminate data in accordance with good quality standards. The GDDS promotes the application of established methodological principles, the adoption of sound compilation practices, and the observance of procedures that ensure professionalism and objectivity. The GDDS covers the four macroeconomic sectors—real, fiscal, financial, and external—and sociodemographic data—population, education, health, and poverty. The IMF collaborates with the World Bank, particularly on sociodemographic data categories.

38. During the past year through August 2008, the GDDS added five new participants—the Syrian Arab Republic, Saudi Arabia, San Marino, the United Arab Emirates, and the Kingdom of Bahrain—raising the total to 94 GDDS participants. Metadata for participants are posted on the IMF website upon participation, and countries are expected to update their metadata once a year. GDDS metadata, including plans for improvement, are publicly available at <http://dsbb.imf.org>.

39. The IMF conducts regional outreach seminars to promote graduation from GDDS to SDDS and assess countries' experience with the GDDS. During the past year, the IMF conducted three outreach workshops to discuss with GDDS participants how the GDDS can be enhanced to assist developing and emerging market countries to improve the dissemination of macroeconomic and sociodemographic data.

40. These efforts are closely integrated with the IMF's technical assistance program. The workshops follow the paper *The General Data Dissemination System: What Has Been Accomplished After 10 Years and Where Do We Go from Here?*, published on January 14, 2008, that recommends greater orientation of the GDDS toward data dissemination. Workshops were conducted in Thailand and in South Africa in April 2008, and in Mexico in June 2008. These seminars brought together participants from Asia and the Pacific region, Africa, the Western Hemisphere, and the Middle East and Central Asia to discuss and share their experiences with using the GDDS as a statistical development framework.

41. The second phase of the United Kingdom Department for International Development (DFID)-funded Anglophone Africa GDDS project (2006–09) added a new component to the outreach efforts of the Statistics Department to build statistical capacity. This project incorporates a modular approach to technical assistance. Each module brings together an average of five countries to exchange experiences and to receive technical assistance. A General Data Dissemination System/Poverty Reduction Strategy Paper (GDDS/PRSP) module is designed to support strategic planning and execution of statistical improvements within the

### **Box 3. GDDS Phase II Project for Anglophone Africa: Modules for Strengthening Statistics**

The GDDS project is funded by the United Kingdom Department for International Development (DFID) for three years (May 1, 2006 to October 31, 2009). It builds on the results of the DFID-funded GDDS Phase I project (2002–2006) for 15 Anglophone African countries, which led to all but one of the countries participating in the GDDS, and with this foundation to begin a systematic process to improve their macroeconomic and sociodemographic statistics. Under Phase II, the project has been expanded to 22 countries, including all Anglophone African countries and one Lusophone country (Mozambique).<sup>1</sup>

Two evaluations of the project were completed during the past year, both of which focused primarily on Phase I of the project, but which had direct relevance and implications for the ongoing implementation of Phase II. The first evaluation was conducted by DFID, consisting of in-depth reviews of the assistance provided to four of the countries participating in the project. The overall results of the evaluation were positive, noting the high quality of the expertise applied and the effectiveness of delivery, although some problems of inadequate follow-up were noted that have since been addressed in Phase II. DFID circulated the report to the PARIS21 Steering Committee members in April 2008.

The second evaluation was an internal exercise conducted by STA that was submitted to the IMF Executive Board (available on the internet at <http://www.imf.org/external/np/pp/eng/2008/032108a.pdf>). It noted that the project greatly increased STA's leverage and scope for technical assistance to Africa, enabling more topics to be covered and more in-depth advice through missions and workshops than would otherwise have been possible. Recognizing the serious challenges in terms of national priorities and resources for statistics, it supported the shift in Phase II to a more focused, modular approach.

A total of eight modules are being implemented in Phase II. Five of the modules can be characterized as topical, targeting specific objectives within monetary and financial statistics (two modules), balance of payments, government finance, and national accounts statistics. The other three modules are functional, targeting processes and institutional arrangements that are critical to achieving certain statistical objectives: the GDDS/PRSP module, the SDDS module, and a module for the Southern African Customs Union.

A midproject meeting was held in Cape Town, South Africa, on April 22–24, 2008 to take stock of progress achieved and lessons learned during the first half of Phase II. All countries participating in the project were invited and, in their written evaluations, they strongly endorsed the project's value to the countries, the effectiveness of the modular approach, the opening module workshops that produced action plans, and the follow-up TA missions. They noted the challenges of accomplishing the project's objectives in the time remaining, in view of which DFID decided to extend the project through September 2009.

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<sup>1</sup>In addition to the 15 countries that actively participated in Phase I, namely, Botswana, Eritrea, Ethiopia, Ghana (not an original participant, but joined the project later), Kenya, Lesotho, Liberia, Malawi, Namibia, Nigeria, Sierra Leone, Sudan, Swaziland, Zambia, and Zimbabwe (Zimbabwe was ineligible to receive TA and therefore has not been active in the project), the Phase II project includes The Gambia, Mauritius, Mozambique, Seychelles, Tanzania, and Uganda, with South Africa participating in a dual role of supporting as well as beneficiary participant.

framework of the GDDS, bringing these closely in line with national statistical strategies and medium-term budget planning. An SDDS module has as its main goal to assist participating countries to improve their statistical practices and the quality of their data to meet the requirements of the SDDS, thereby helping them to become SDDS subscribers.

Five Anglophone African countries (Botswana, Mauritius, Namibia, Tanzania, and Uganda) have signed up for this module. Graduation of these five African countries to the SDDS would be a significant achievement for the project, as Africa currently is the most underrepresented region in the SDDS. See Box 3 for further details.

42. In May 2007, the Statistics Department hosted the opening workshop for the SDDS module in Cape Town, South Africa. In the course of the workshop, each of the five participating countries prepared a work plan for the project period, including a timetable for follow-up technical assistance. The five countries will be working toward the identified objectives with technical assistance support. A closing workshop is scheduled to take place in the first half of 2009.

### ***The GDDS Guide***

43. The Statistics Department published *The General Data Dissemination System: Guide for Participants and Users (GDDS Guide)* in July 2007. The *GDDS Guide* explains the nature and objectives of the GDDS and provides practical guidance to IMF member countries on participation in the GDDS. The *GDDS Guide* has benefited from the suggestions and recommendations of member countries that participate in the GDDS. The *GDDS Guide* and its translations in Arabic, French, Russian, and Spanish are posted on the DSBB. The *GDDS Guide* is expected to be refined as the GDDS evolves.

## **IV. SUPPORT OF SURVEILLANCE**

### **A. Review and Research Activities**

44. The Statistics Department participates in core IMF activities relating to surveillance, including global market surveillance and support of macroeconomic adjustment programs. It reviews staff reports prepared in the context of Article IV consultations and use of Fund resources to be submitted to the Executive Board. The focus is to ensure that the reports (1) describe accurately the timeliness, periodicity, coverage, and other aspects of the quality of data on which the analysis is based; (2) present a strategy for improvement in appropriate cases; and (3) indicate the authorities' data dissemination policies. Reviews also assess the extent to which the analysis is supported by the data in the reports and the internal consistency of the data. The Statistics Department encourages its staff to participate in the IMF's program of research on operational matters and policy. (See Box 4.)

### **B. Data Quality**

45. The Statistics Department is engaged in actively supporting overall strategies and action plans for the enhancement of data quality in member countries. In its efforts to promote data quality with member countries, the Statistics Department makes extensive use of the DQAF that it has developed as a tool to provide a systematic approach to assessing data quality. Documentation is available on the Data Quality Reference Site (DQRS) on the DSBB (<http://dsbb.imf.org>). The DQAF brings together a structure and common language for good practices and internationally accepted concepts and definitions in statistics, including those of the United Nations *Fundamental Principles of Official Statistics* and the SDDS/GDDS. The methodology, which was updated in July 2003, helps to identify and document in a systematic manner practices in statistical production, ranging from institutional arrangements to data collection, compilation, and dissemination. The intent is to keep the framework current in reflecting internationally recognized good statistical practices as they evolve.



#### **Box 4. Selected Research Papers by Staff of the IMF Statistics Department**

**Core Inflation: Measurement and Statistical Issues in Choosing Among Alternative Measures**, prepared by Mick Silver, *IMF Staff Papers*, Vol. 54, No. 1, May 2007.

There are several approaches to the measurement of core inflation, including exclusion-based methods, limited influence estimators, reweighting, and economic modeling. There are also several criteria for judging which approach to use including credibility, control, deviations from a smoothed reference series, volatility, predictive ability, causality and cointegration tests, and correlation with money supply. Given the lack of consistency in the results of country studies, the paper argues for a country-specific data-driven approach to choosing between alternative measures.

**Do unit value export, import, and terms of trade indices represent or misrepresent price indices?** prepared by Mick Silver, IMF Working Paper No. 07/121, May, 2007.

Unit value export and import indices compiled from returns to customs authorities are often used as surrogates for price indices in the measurement of inflation transmission, terms of trade (effects), and to deflate import and export value series to derive volume series. Their widespread use is mainly due to their relatively low cost. This paper provides evidence of substantial errors and bias in their representation of such price changes. The paper considers the efficacy of alternative strategies for their improvement.

**Why Elementary Price Index Number Formulas Differ: Price Dispersion and Product Heterogeneity**, prepared by Mick Silver and Saeed Heravi, *Journal of Econometrics*, 140, 2, 874–83, October 2007.

The *Consumer Price Index Manual* (2004) provides guidelines for aggregation formulas that are promulgated at IMF training courses and during technical assistance missions. This paper develops elementary-level aggregation theory to better inform users and compilers. Most countries use either the Dutot or Jevons index formula. Using an approach based on sample estimators and an illustration based on scanner data, the paper shows how differences in these formulas can be explained by changes in price dispersion and, in turn, by product heterogeneity.

**Hedonic Indexes: A Study of Alternative Methods**, prepared by Mick Silver and Saeed Heravi. In E.R. Berndt and C.R. Hulten (eds.) *Hard-to-Measure Goods and Services: Essays in Honour of Zvi Griliches*, Chapter 8, 235-268, NBER/CRIW, University of Chicago Press, 2007.

The widespread use of the matched models method for compiling CPIs suffers from the problem of ignoring new models introduced into a market and old ones that become obsolete. In dynamic markets, such as personal computers, where model specifications frequently change, the matched model method can lead to highly biased results. Hedonic methods are more appropriate and this paper examines 36 alternative hedonic formulations and considers their merits.

**Hedonic Imputation Indexes Versus Time Dummy Hedonic Indexes**, prepared by W. Erwin Diewert, Saeed Heravi, and Mick Silver, IMF Working Paper No. 07/234, October, 2007.

The two main approaches to hedonic indexes are hedonic imputation indexes and dummy time hedonic indexes. This study provides a formal analysis of the difference between the two approaches for alternative implementations of the Törnqvist “superlative” index. It shows why the results may differ and discusses the issue of choice between these approaches.

46. The DQAF can be used by national producers of official statistics as a tool to document and monitor data quality, by international organizations for their assessment of countries’ data quality, and by other data users, including those in the private sector.

**Do Reserve Portfolios Respond to Exchange Rate Changes Using a Portfolio Rebalancing Strategy? An Econometric Study Using COFER Data**, prepared by Ewe-Ghee Lim, IMF Working Paper 07/293, December 2007.

This paper tests whether reserve portfolios respond to exchange rate changes with a portfolio rebalancing strategy, which requires the purchase of depreciating currencies and sale of appreciating ones. The paper finds empirical support for the strategy, in particular that dollar depreciation/appreciation results in rebalancing switches vis-à-vis the other major reserve currency, the euro; valuation changes in the minor currencies tend to result in switches among themselves. The finding implies that currency diversifications in response to exchange rate changes have thus far tended to be stabilizing for exchange markets; it also helps explain the relative stability of reserve currency shares.

**Statistics dissemination as a public service: institutional arrangements for producing macroeconomic statistics in countries subscribing to the Special Data Dissemination Standard (SDDS)**, prepared by Claudia Dziobek and Florina Tanase, IFC Bulletin 28, 2008.

This paper presents the results of a survey of the institutional arrangements for producing official macroeconomic statistics. The survey covers 41 countries that have well-developed national statistical systems, and that subscribe to the IMF's Special Data Dissemination Standard. It demonstrates the popularity of having multiple institutional responsibilities for producing macroeconomic datasets, with national statistical agencies taking the lead role overall. Most data producing agencies work within well-defined legal frameworks—an important basis for the integrity and professional independence of statistical agencies.

**Institutional cooperation between central banks and the statistical offices for producing macroeconomic statistics**, prepared by Claudia Dziobek and Florina Tanase, IFC Bulletin 28, 2008.

This paper discusses the different purposes and forms of collaboration between central banks and national statistical agencies in the area of macroeconomic statistics. Cooperation agreements may be designed to clarify the division of labor in producing data, or may concern the provision of specialized data to a central bank for policy purposes. Cooperation may also be intended to help national statistical agencies develop their statistical capacity, particularly in countries with relatively weak national statistical agencies. In many countries, cooperation between central banks and statistical offices has evolved from informal to more formal arrangements. This paper deals with formal cooperation agreements.

**The IMF's work on financial soundness indicators**, prepared by Armida San Jose, Russell Krueger, and Phousnith Khay, IFC Bulletin 28, 2008.

This paper focuses on Financial Soundness Indicators, or FSIs, which are aggregate measures of the current financial health and soundness of the financial institutions in a country and of their corporate and household counterparties. The paper briefly describes the history of the FSI project and the development of the FSI methodology; the results of an international coordinated compilation exercise undertaken by the IMF and participating member countries; some key methodological challenges; and possible next steps for taking forward the work of the IMF in this area.

**The Balance of Payments and International Investment Manual (BPM6)** prepared by Robert Heath and Robert Dippelsman, *European Economic Statistics*, Eurostat, 2008 edition.

This paper presents the new *Balance of Payments and International Investment Position Manual* of the IMF (*BPM6*). The *BPM6* is the result of considerable research work both in the IMF and in collaboration with compilers and other interested parties, and this is explained in the article. Further, the paper lays out the guiding principles behind the preparation of *BPM6*, explains its presentation, and develops the major themes contained within it: globalization, financial innovation, and the balance sheet approach.



47. Because of its comprehensive structure, the DQAF has proven to be versatile in applications beyond data quality assessment work. It is also used as a forward-looking framework in the design of new Statistics Department technical assistance programs, for monitoring progress in post-mission work by the national authorities, and for follow-up programs and projects. The DQAF has also been adopted as a framework for the PARIS21<sup>3</sup> statistical capacity building indicators to promote a common understanding of data quality.

### C. Reports on the Observance of Standards and Codes

48. The ROSC initiative was launched eight years ago as a prominent component of efforts to strengthen the international financial architecture. It covers 12 standards, including data standards, which the World Bank and IMF Executive Boards have recognized as relevant for their work. In July 2005, the IMF Executive Board reviewed the standards and codes initiative. It concluded that a major benefit of the initiative has been support for institutional reforms, while the direct use of these reports by markets remained more limited. The IMF Executive Board recommended continuing the program while reducing the overall number of ROSCs conducted in the future. It also proposed steps to enhance the initiative's effectiveness with stronger focus on countries that are most likely to derive direct benefits from standards assessments. This has led to a number of proposals to create closer linkages between ROSCs and technical assistance, better prioritization of new assessments, and reassessments for countries where rapid progress can be noted. In the review, some of the features of the data module ROSCs, especially the summary assessment tables, were highlighted as a good model for other standards. Data module ROSC assessments will increasingly be concentrated on emerging market economies, systemically important countries, and countries likely to qualify for SDDS subscription in the near future.

49. As of September 2008, 119 data module ROSCs had been completed, including updates and reassessments. These include—using the IMF's *World Economic Outlook* country group classification—23 from advanced economies, 27 from Africa, 9 from developing Asia, 22 from Central and Eastern Europe, 15 from the Commonwealth of Independent States (CIS), 4 from the Middle East, and 19 from Western Hemisphere countries (including one regional central bank). Links to the published modules can be found on the IMF website at <http://dsbb.imf.org> (go to DQRS).

50. The Statistics Department continues to prepare data module ROSC updates and reassessments—the latter being generally done on a selective basis for one to three datasets. Substantive updates are prepared by staff during short country visits, where the main findings and recommendations are reviewed and assessments updated, while reassessments are more comprehensive. So far, 31 updates and reassessments have been published.

51. In addition to providing an assessment of SDDS/GDDS dissemination, the data module ROSCs since 2001 have provided an assessment of the quality of selected macroeconomic datasets based on the DQAF. The DQAF helps to identify the deviations of countries' statistical practices against internationally accepted practices and ways to improve the quality of statistical products and institutions. The Statistics Department has completed a review of the

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<sup>3</sup> Partnership in Statistics for Development in the 21st Century.

assessments of GFS in data ROSCs, which examined the consistency of treatment across countries. The review also took into account the recent experience with implementing the methodology of *GFSM 2001* as the framework for compiling GFS. As a result of this review, new guidelines have been issued to provide clearer and more consistent procedures for assessing country practices in the GFS production, which should enhance the comparability of the assessment of data quality across statistical domains and countries in future data ROSCs.

52. Country authorities have welcomed the DQAF-based extensive and detailed documentation contained in the ROSCs and have used it as a basis to improve their statistical operations. The supportive responses from the authorities also reflect the growing importance attached by economic agents to the availability of high-quality macroeconomic data. Publication of the data ROSCs, which requires the agreement of the national authorities, signals the country's intent to redress shortcomings identified in the reports. Both the staff's assessment and the response of the authorities are posted on the IMF website.

## V. STATISTICAL METHODOLOGIES

53. The Statistics Department is actively engaged in developing statistical methodologies that encourage international comparability, support the efficient use of statistical resources, and promote the analytical usefulness of statistics. The IMF's expertise is primarily in the national accounts, prices, fiscal, monetary and financial soundness indicators, balance of payments, IIP, external debt, and international reserves statistics areas. The IMF statistical manuals are harmonized with the principles of the *System of National Accounts 1993 (1993 SNA)*. These methodological principles underpin the IMF's data standards.

### A. National Accounts and Prices Statistics

54. Under the mandate of the United Nations Statistical Commission (UNSC), the Intersecretariat Working Group on National Accounts (ISWGNA), comprising representatives of the five international organizations (Eurostat, the IMF, the OECD, the United Nations Statistics Division (UNSD), and the World Bank) that prepared the *1993 SNA*, is performing a systematic and comprehensive review of the manual. The Fund is again playing a major role, in particular, drawing on its expertise in financial and balance of payments issues. The first part of the revised *SNA* comprising the first 17 chapters was completed in July 2008. The remaining part of the revised system of national accounts will be completed in early 2009. While preserving the conceptual framework and most existing recommendations of the current system of national accounts, the review focuses on selected issues regarding the treatment of nonfinancial assets, the public sector, financial sector accounts, and balance of payments. See Box 5 for further details.

55. The Intersecretariat Working Group on Price Statistics (IWGPS) was formed in 1998 to oversee authorship of manuals on international best practices in concepts and the compilation of prices statistics. Its initial project, the preparation of manuals on the consumer price index (CPI) and on the producer price index (PPI), was completed in 2004. The Statistics Department contributed chapters to the manuals and edited and published the *PPI Manual*. The Statistics Department continues to play a major role in the development and implementation of price statistics manuals, chairing the IWGPS in 2005 and 2006, publishing French and Spanish

### **Box 5. Updated International Standards for National Accounts Statistics: Preparation of System of National Accounts 2008 Manual**

In 2008, the United Nations Statistical Commission (UNSC) adopted the first 17 of 29 chapters of an updated version of the international standard for national accounting, the *System of National Accounts 2008 (2008 SNA)*. The *2008 SNA* supersedes the *System of National Accounts 1993 (1993 SNA)*, the standard prevailing for the last fifteen years. The UNSC initiated the review of the *1993 SNA* at its 2003 meeting. On the recommendation of the Inter-Secretariat Working Group on National Accounts (ISWGNA), the UNSC decided at its 2007 meeting that the *1993 SNA* be updated on 44 conceptual issues. Chapters 18–29 of the *2008 SNA* will be submitted to the UNSC for adoption in February 2009, completing the update project.

The process of updating the existing text and incorporating new text into the *2008 SNA* is coordinated by the editor, Anne Harrison, under the supervision of a project manager (Carol Carson for the document submitted to the UNSC in 2008 and Paul McCarthy since then) with the support of the ISWGNA. The drafting and commenting process has taken place with unprecedented transparency, with preliminary drafts of chapters and worldwide comments on them posted on the web at

<http://unstats.un.org/unsd/sna1993/snarev1.asp>, as well as the minutes of the meetings of the ISWGNA at <http://unstats.un.org/unsd/nationalaccount/iswgnaminutes.asp?FromPage=1>. The UNSD staff has provided invaluable support by maintaining the website and acting as secretariat for the revision process.

The IMF, through the Statistics Department, is a permanent member of the ISWGNA and served as the chairing agency during 2006 and 2007. Since March 2008, Eurostat has been the chairing agency. The UNSC appointed an Advisory Expert Group (AEG) of national accounts experts to advise the ISWGNA on selecting the 44 revision issues for submission to the UNSC. The AEG also provided guidance on how to address these issues in the updated national accounting standard. The AEG met several times during the revision process, and will meet again in Washington in mid-November 2008 to advise on the drafts of the second set of chapters of the *2008 SNA* and on clarifying certain points from the earlier chapters.

The *2008 SNA* contains significant advances and clarifications on the treatment of capital (including research and development, knowledge capital, military hardware, and recognition of when the existence of a contract, lease or license may itself constitute an asset), financial services, special purpose entities used for financial purposes, liabilities associated with pension schemes, and aspects of globalization such as outsourcing manufacturing. A provisional “white cover” version of the first 17 chapters is available at <http://unstats.un.org/unsd/sna1993/sui.asp>. The remaining chapters will be available in a white cover version in the first half of 2009.

versions of the *CPI Manual* in 2006, Russian in 2007, and Chinese in 2008. The Statistics Department contributed several chapters and edited the *Manual on Export and Import Price Indices* completed in 2008 for publication in 2009.

56. The Intersecretariat Task Force on Merchandise Trade Statistics, chaired by the World Trade Organization (WTO), undertakes a range of work in harmonizing and developing methodology for international trade statistics. The Statistics Department has actively participated in this task force’s initiatives to develop international handbooks on concepts and compilation methods for merchandise trade statistics and to reconcile merchandise trade data collected by the IMF, the United Nations, and the WTO.

57. The Statistics Department continued its contribution to the Technical Advisory Group of the International Comparisons Program (ICP) based at the World Bank. The ICP produces international price indices called purchasing power parities that allow comparison of GDP volume levels among countries for a benchmark year, most recently for 2005. In

December 2007, the ICP issued purchasing power parities from its 2005 benchmark round that were subsequently used in the *World Economic Outlook* and *IFS* publications. The new price indices also were used in producing the ICP's GDP volume data for IMF member countries at purchasing power parity. GDP at purchasing power parity is one of the arguments in the revised quota formula determining the voice each member country has through its Executive Director on the IMF Executive Board (see [www.imf.org/external/np/exr/facts/quotas.htm](http://www.imf.org/external/np/exr/facts/quotas.htm)).

## **B. Government Finance Statistics**

58. The *GFSM 2001* provides a comprehensive conceptual, accounting, and reporting framework for compiling and disseminating fiscal statistics suitable for analyzing and evaluating fiscal policy, especially the performance of the general government sector and the broader public sector of any country. Ongoing methodological work on government finance statistics broadly parallels the key fiscal policy issues that member countries and the IMF are facing. During the past year, the Statistics Department continued to provide comments on conceptual issues related to the institutional units of government and their transactions in draft chapters of the *2008 SNA*. Particular attention was given to the new chapter "The Government and Public Sectors", and to issues dealing with the treatment of the unfunded liabilities of government employer pension schemes. Staff plan to commence work during the last quarter of 2008 on the preparation of companion material to be posted on the IMF website clarifying the implications of revisions reflected in the *2008 SNA* for the methodology of the *GFSM 2001*. Issues that could be covered include the capitalization of military expenditures, the capitalization of research and development, and standardized guarantees.

59. Companion materials elaborating on the coverage of conceptual issues in the *GFSM 2001* were also prepared and the Fund's website was updated with the paper *Selection of Data Sources, Preparations, and Compilation of GFSM 2001* in August 2007. In addition, a guidance note on the consolidation of the nonmonetary public sector, *Nonfinancial Public Sector Statistics—Consolidation*, was finalized and will be posted shortly on the Fund's website. Given the need to provide guidance to compilers and analysts on specific conceptual issues, staff will develop generic methodological guidance notes in the form of a "Frequently Asked Questions" facility, which will be accessible from an electronic database. Much of this work will be based on statistical guidance that exists in the form of notes that were prepared in response to queries raised by the area departments in the IMF and country officials.

60. At an Executive Board seminar that took place in November 2005, directors agreed in principle that staff should use the *GFSM 2001* as the standard for its operational work. The Board also agreed that staff should conduct pilot studies to include the core *GFSM 2001* fiscal tables in Article IV consultation reports, and report back on the experience with these studies, together with migration path proposals to implement the *GFSM 2001* framework in the Fund's work. During 2008, a draft Board paper reporting on the experience of the pilot studies and proposing a strategy for adopting the *GFSM 2001* for the Fund's fiscal analysis was prepared and circulated to area departments for review and comments. The draft paper followed closely on the completion of the last of the 10 pilot-study missions, which were conducted to demonstrate the usefulness of the *GFSM 2001* framework in the context of surveillance and financial programming exercises. Board discussion of the paper is scheduled for early 2009.



Interdepartmental working groups have been set up to provide guidance on statistical issues that may arise during the transition to the new methodology.

61. Under the auspices of the interagency Task Force of Finance Statistics (TFFS),<sup>4</sup> the Statistics Department, in collaboration with the IMF's Strategy, Policy, and Review Department, developed a template to strengthen the reporting and monitoring of public debt statistics. The objective of this initiative is to generate more uniform and comprehensive data on public debt than previously available, thus enhancing the analysis of fiscal sustainability. Following testing of the public debt template (PDT) with a select group of countries, it was customized to better reflect regional characteristics, starting with countries from Africa. The results of this operational PDT, which was populated from available data sources, were presented at the March 2008 TFFS meeting. It was agreed that the Statistics Department would continue to develop and populate regional PDTs with readily available data.

62. As agreed with the TFFS, the Statistics Department drafted an outline of a guide for compiling public sector debt statistics, which was presented at the March 2008 TFFS meeting for comments. Following up on these comments, Statistics Department staff are revising the annotated outline of the Public Debt Guide and will consult with TFFS agencies on their participation in the preparation of the Guide.

63. The Task Force on Harmonization of Public Sector Accounts, chaired by the Statistics Department, completed its mandate and made progress on harmonization of the accounting standards and statistical guidelines for the government sector. Collaboration has been strengthened with the International Public Sector Accounting Standards Board (IPSASB), and work is ongoing to ensure continuation of progress in harmonizing new accounting developments and statistical standards. Work planned to assess harmonization includes updating the matrix documenting differences between the accounting and statistical bases for reporting financial information. In addition, staff participate in the working group that is developing the conceptual framework for general purpose financial reporting by public sector entities.

### **C. Monetary and Financial Statistics**

64. Efforts over the last year have focused on finalizing the *Monetary and Financial Statistics: Compilation Guide (MFS Guide)*, which provides practical guidance on how to implement the *Monetary and Financial Statistics Manual (MFSM)* when compiling monetary and financial statistics. The final version was published in April 2008. The electronic version of the *MFS Guide* is available on the IMF's website:  
<http://www.imf.org/external/pubs/ft/cgmfs/eng/index.htm>.

65. Countries are increasingly reporting monetary statistics to the IMF based on the SRFs. These forms were designed to facilitate the compilation and dissemination of monetary data in accordance with the international methodology, while at the same time reducing reporting burdens for member countries and enhancing cross-country comparability. Implementation of

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<sup>4</sup> The members of the TFFS are the Bank for International Settlements, the Commonwealth Secretariat, ECB, Eurostat, IMF, the OECD, Paris Club Secretariat, UNCTAD, and the World Bank. The TFFS is chaired by the IMF.



the SRFs has required that additional guidance on technical and methodological issues be provided to data compilers in reporting countries. Data reported using the SRFs are published in the quarterly *IFS Supplement on Monetary and Financial Statistics*, which as of June 2008 contained data for over 100 countries, including the Euro Area and the ECCU. Full migration to SRF-based reporting is expected to be completed by mid-2009. SRFs provide a substantial portion of the information needed for the IMF's balance sheet analysis.

#### **D. Financial Soundness Indicators (FSIs)**

66. As part of the IMF's ongoing efforts to strengthen the architecture of the international financial system, the Statistics Department has continued its work on FSIs. FSIs are broadly defined as indicators of the current financial health and soundness of entire sectors of financial institutions in a country and of the corporate and household sectors that are the counterparts of these financial institutions. FSIs include both aggregated individual institution data and indicators about the markets in which the financial institutions operate.

67. To support and coordinate efforts by national authorities to compile cross-country comparable FSIs, STA conducted a coordinated compilation exercise (CCE) for FSIs using the *Financial Soundness Indicators: Compilation Guide (Guide)*<sup>5</sup> as a reference point. Sixty-two countries participated in this pilot exercise, which aimed to compile FSI data using end-2005 as a reference date. The FSI data and metadata produced by countries in the CCE were posted on (<http://www.imf.org/external/pubs/ft/fsi/guide/2006/index.htm>).

68. the IMF's website.<sup>6</sup> In May 2007, the Statistics Department conducted two post-CCE meetings—one involving cooperating international and regional institutions and the other all the participating countries in the CCE. The meetings provided a forum for discussing the results of the CCE, the methodology of FSI compilation, and the way forward with FSIs in the financial surveillance/stability work of countries and of the IMF.

69. The outcome of the CCE as well as the views of the countries participating in the CCE and of cooperating international and regional institutions were reported to the IMF Executive Board in a paper entitled "Financial Soundness Indicators: Experience with the Coordinated Compilation Exercise and Next Steps" and in a background paper. In its discussion in November 2007, the Executive Board assessed positively the CCE and supported regular collection and dissemination of FSIs by the IMF, with the creation of a centralized public FSI database that would be available to member countries, international institutions, and markets. Also, in view of the experience of the CCE, the Executive Board discussed amendments to the recommendations of the *Guide*, which are summarized in a stand-alone document posted on the IMF website (<http://www.imf.org/external/pubs/ft/fsi/guide/2008/pdf/071408.pdf>).

70. The Statistics Department, in coordination with other IMF departments, is currently undertaking the preparatory work toward the regular collection and dissemination of FSIs and the creation of the FSI database. The initiation of regular reporting of FSI data and metadata to the IMF, starting with the CCE participating countries, is expected to take place at the end of the first quarter of 2009.

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<sup>5</sup> The *Guide* was released in electronic format in 2004 and issued as an official IMF publication in 2006

<sup>6</sup> Fifty-eight of the 62 countries participating in the CCE had posted their FSI data and metadata on the IMF's website by the end of June 2008. See [www.imf.org/external/np/sta/fsi/eng/cce/index.htm](http://www.imf.org/external/np/sta/fsi/eng/cce/index.htm).

## **Box 6. *Balance of Payments and International Investment Position Manual (BPM6)***

### **Background**

International standards for balance of payments statistics have been a priority for the Fund from its earliest days. The first edition of the *Balance of Payments Manual* was released by the Fund in January 1948. Revised versions have been produced to take into account new developments. The current version is the fifth edition (*BPM5*), which was released in 1993.

The process to produce the sixth edition, to be called the *Balance of Payments and International Investment Position Manual (BPM6)*, is in its final stages. Like its predecessors, the new edition will provide guidance for compilers to produce statistics in accord with internationally agreed standards. As a result, basic variables for the external sector, such as the current account balance and reserve assets, can be reported by member countries in a sound and internationally comparable way.

The new manual is the culmination of several years of work by the IMF's Statistics Department in collaboration with a range of interested parties. The project was initiated in 2001 by the IMF Committee on Balance of Payments Statistics, which meets annually, has broad geographic national representation, and was created by the Fund to advise it on balance of payments statistics and international investment position statistics. The project has involved extensive consultation with data users, national statistical compilers, specialized expert groups, and other international organizations. Issues papers and draft versions of the manual were provided on the IMF website.

Guiding principles for this revision were that the basic framework in *BPM5* will be retained and that the revision will be made in parallel with the update of the *1993 SNA*, thereby maintaining and enhancing the harmonization of macroeconomic statistics.

### **Major themes**

The three major themes of the revision reflect changes in the global economy since 1993:

- Globalization. The statistical implications of globalization have been a major focus of the revision, including issues such as outsourced processing across borders, residence of mobile individuals, complex multi-country company structures, and special purpose entities.
- Financial innovation. Topics dealt with in the revision include reporting of impaired loans, financial derivatives and employee stock options, short positions, securities lending, index-linked instruments, the separation of the financial service element in interest, insurance services when there is volatility in claims, guarantees, and gold accounts.
- Balance sheet approach. Over the past decade, there has been increased user interest in issues such as external debt and vulnerability. Associated with that, a growing number of economies compile IIP data—the number of economies reporting IIP data to the Fund has tripled in the last ten years to 114. In support of increasing interest, the new manual will provide more information and emphasis on the IIP. Debt instruments will be separately identified as a group and additional supplementary breakdowns of debt instruments by remaining maturity and by currency of denomination emphasized. A memorandum item on reserves-related liabilities will be included to help analysis of reserve assets. As well, the chapter order will be changed to highlight the IIP, the title will include a reference to the IIP, and the analytical chapter in *BPM6* will include a discussion of the balance sheet approach

## **E. Balance of Payments and Other External Sector Statistics**

### ***Balance of Payments and International Investment Position Manual (BPM6)***

71. To keep abreast of economic developments and changing data needs in economic analysis, international guidance for balance of payments data needs to evolve correspondingly. An update of the balance of payments manual is being carried out in synchronization with the review of the *1993 SNA*.

## Implementation

A new draft of *BPM6* was published early in March 2008 and was discussed in regional outreach seminars during the first half of 2008. A revised version that takes into account written comments received and input from the seminars will be submitted for approval at the meeting of the IMF Committee on Balance of Payments Statistics in November 2008. The final version, subject to editing, is expected to be released by end-2008.

Countries are expected to update their data collections, methodologies, and procedures over the next several years, with 2012 or 2013 the most likely target dates for converting data for *International Financial Statistics* and the *Balance of Payments Statistics Yearbook* to the new manual. The Fund will support countries undertaking conversion in its training, documentation, and technical assistance programs. The *Balance of Payments Compilation Guide* and *Textbook* will also be updated.

The IMF website has further information, including papers presented to various expert groups and the latest draft version—see <http://www.imf.org/external/pubs/ft/bop/2007/bopman6.htm>

72. The production of the *BPM6* is being undertaken under the auspices of the IMF Committee on Balance of Payments Statistics (BOPCOM). Other areas of priority include work on direct investment, remittances, reserve assets, the IIP, and planning for the implementation of *BPM6*. See Box 6. The BOPCOM was established in 1992 to improve the availability, consistency, and reliability of balance of payments and IIP statistics worldwide and comprises senior national balance of payments experts. Several international organizations are also represented at its meetings. BOPCOM's work program aligns well with the Fund's medium-term strategy, supporting the development of external sector statistics that are required for surveillance. Its 2007 *Annual Report* is available on the IMF's website at <http://www.imf.org/external/bopage/arindex.htm>.

73. During the second half of 2008, the top priorities for BOPCOM are the adoption of the revised draft *BPM6* in light of the comments received from the public consultation, and working on the implementation of the coordinated direct investment survey (CDIS). The *BPM6* is expected to be completed by the end of 2008, broadly in line with the schedule for the revised 2008 *SNA*.

## International investment position statistics

74. In 2008, 114 jurisdictions reported IIP data for publication in the *BOPSY* and the *IFS*. With a view to increasing the number of jurisdictions reporting IIP data, STA is launching an initiative to assist a subset of countries in compiling IIP statistics, notably those countries that are considered to have the greatest potential to develop such data in the near future. These countries have been identified on the basis of information that IMF staff obtained from discussions at recent balance of payments courses or from recent technical assistance missions. In a discussion on data provision by IMF member countries for surveillance purposes, the IMF's Executive Board supported giving a higher profile to IIP data, while also recognizing that some countries face capacity constraints in producing these data.

## Statistics on external debt

75. In joint efforts with the Bank for International Settlements (BIS), the OECD, and the World Bank, the Statistics Department continues to work on the enhancement of the Joint

External Debt Hub (JEDH) website, which was established in 2006 to provide a one-stop source for comprehensive external debt statistics. The JEDH features comprehensive national external debt data provided by over 60 economies, mainly subscribers to the IMF's SDDS, but including three non-SDDS subscribers (Bolivia, Georgia, and Paraguay); data from creditor and market sources for external debt and selected foreign assets for more than 200 economies; and information describing the data provided (metadata). The JEDH website—through its national and creditor and market series—also allows users to compare individual country data for three broad categories: loans plus deposits, debt securities, and trade credits.

76. Currently, the JEDH website draws information from two sources. National data are provided by selected countries in their templates on external debt, which they complete as part of the requirements as SDDS subscribers; in addition to providing the debt template data for SDDS purposes, these countries forward the templates for incorporation in the World Bank's Quarterly External Debt Statistics database (QEDS), from where the data are uploaded in the JEDH. Creditor and market data, including loans and other credits, debt securities, international reserves, cross-border deposits with foreign banks, and portfolio investment assets (drawn from the IMF's Coordinated Portfolio Investment Survey (CPIS)), are provided by the BIS (also including Berne Union data on insured trade credit exposures), the IMF, the OECD, and the World Bank. While creditor and market data offer incomplete coverage of external debt, they have a wider coverage than national sources.

77. The Statistics Department assesses the consistency of external debt data reported by countries to the QEDS database and corresponding data series in the IIP reported to the IMF, with the intention of improving countries' external debt and IIP data for effective use in surveillance work.

78. As endorsed by the TFFS, the Statistics Department and the World Bank are undertaking a project to facilitate the timely dissemination, on a voluntary basis, in standard formats, of public sector external debt data. The first phase of the project extending the World Bank's QEDS to selected groups of low-income countries was launched in February 2008. The second phase aims at inviting all other GDDS participants to report data to QEDS, with a first release planned for early 2009. The project focuses on the dissemination of stock data on public and publicly-guaranteed external debt disaggregated by maturity. It also encourages participating countries' dissemination of other external debt data in line with the GDDS framework. Reporting tables for this project were designed in consultation with the Strategy, Policy, and Review Department.

79. The JEDH website reflects a determination to apply technological innovation to generate efficiencies—in this case by converging data from various sources into a common framework. As noted in Section II, paragraph 6, the hub is a pilot project of the SDMX (see the website at <http://www.sdmx.org/>), which, under the sponsorship of the BIS, the ECB, Eurostat, the IMF, the OECD, the UN, and the World Bank, is fostering standards for the exchange of statistical information. The participating agencies see the new website as a mechanism to enhance the transparency, timeliness, and availability of external debt statistics for a global user community.



## Reserve assets and other funds

80. The IMF has been collecting quarterly data on the currency composition of official foreign exchange reserves (COFER) since the 1960s from individual countries on a strict confidentiality basis, with dissemination limited to selected aggregates only. The database distinguishes official reserves denominated in U.S. dollars, euros, pounds sterling, Japanese yen, Swiss francs, and other currencies. In response to heightened policy and public interest, the IMF launched the quarterly publication of aggregate COFER data on its website (<http://www-stg-ext/external/np/sta/cofer/eng/index.htm>) on December 21, 2005. Before this launch, annual aggregate COFER data had only been published in the IMF's Annual Reports.

81. COFER data are submitted to the IMF on a voluntary and confidential basis. At present, there are 138 reporters, consisting of member countries of the IMF (all 27 industrial countries and 106 developing countries), nonmember countries/economies, and other foreign exchange reserves holding entities. On a regional basis, the rate of reporting—measured in terms of the percentage of regional reserves accounted for by the reporters—is highest for countries from Europe and the Western Hemisphere and lowest for countries from Asia. The number of reporting countries has increased through the years as the IMF has continued to explore new ways to encourage more countries to become reporters. Increased country coverage is critical for further improving the usefulness of COFER data.

82. The published data are presented in aggregate form for each currency for three groupings: all countries, industrial countries, and developing countries. The classification of countries and the definition of foreign exchange reserves follow those currently used in the IMF's *IFS*.

83. The total number of reporters redisseminating the data template on international reserves and foreign currency liquidity (data template) on the IMF's website has now reached 64. The template data for most of the SDDS subscribers, two non-SDDS countries (Jordan and New Zealand), the ECB, and the Euro Area are available at <http://www.imf.org/external/np/sta/ir/index.htm>. Plans are under way to disseminate on the IMF website the template data of the remaining SDDS subscribers and those of GDDS countries that prepare the data. The Statistics Department, in collaboration with other departments in the IMF, is also working on issues relating to sovereign wealth funds (SWFs). The department's initial focus was on the statistical treatment of such funds in external accounts statistics. Recently, this work has been widened to cover other statistical issues, including the working definition of SWFs and their sectoral allocations within the system of macroeconomic accounts. The external sector issues, discussed at the October 2007 meeting of BOPCOM, are covered in the revised draft of *BPM6*.

## Coordinated Portfolio Investment Survey results

84. The CPIS collects information on individual economy holdings of portfolio investment securities—equity and debt securities—valued at market prices at the end of each year, cross-classified by the country of the issuer of the securities. The coverage of the CPIS is augmented with information on the geographic breakdown of securities held as countries' foreign exchange reserve assets and security holdings of selected international organizations (these data are not disclosed at a detailed level, as the data are reported on a confidential basis).



### **Box 7. 2009 Coordinated Direct Investment Survey**

The Statistics Department is conducting a Coordinated Direct Investment Survey (CDIS) for the reference year ending December 31, 2009 in collaboration with its interagency partners, which include the European Central Bank, the Organization for Economic Cooperation and Development, the Statistical Office of the European Communities, the United Nations Conference on Trade and Development, and the World Bank.

The purpose of the CDIS is to improve the coverage and comparability of international investment position (IIP) statistics on foreign direct investment (FDI). All participants in the CDIS have agreed to collect information on the stock of inward FDI as at end-December 2009 by counterpart economy. In addition, economies that are able to provide information on the stock of outward FDI agree to provide these data on the same bases as for inward FDI.

This initiative is expected to result in substantial improvements in the quality of FDI data and provide national compilers and users of statistics with a valuable database on FDI positions by individual counterpart economy using common valuation principles. The partner economy data will provide a check on the coverage of recorded estimates of direct investment capital in the IIP.

#### **Work on the Survey is Well Advanced**

More than 130 economies have expressed interest in participating in the CDIS. Interest in the CDIS is broad-based, with strong representation from developing and emerging economies, and with virtually all advanced economies indicating their interest in participating.

The IMF's Statistics Department published a draft survey guide in early 2008 that sets out the principles under which the survey will be conducted, as well as provide practical guidance for those economies that do not have experience in conducting a direct investment survey. The survey guide is available in English from the newly designed CDIS website ([www.imf.org/cdis](http://www.imf.org/cdis)). It has also been translated into Arabic, Chinese, French, Russian, and Spanish. The Statistics Department has also published a short information pamphlet in each of these languages. Also, the Statistics Department, in collaboration with interagency partners as relevant, has conducted nine seminars in all regions of the world in 2008, and another series of seminars will be held in 2009. These seminars explain the purpose of the survey and clarify the practical dimensions of what the survey seeks to collect. In addition, participants discuss their preparations for the survey, as well as draw on each other's experience on issues of concern in conducting surveys.

85. The results of the 2006 CPIS, the sixth of an annual series, were posted on the IMF's external website at <http://www.imf.org/external/np/sta/pi/geo.htm> in December 2007. Seventy-four economies participated in the 2006 CPIS, two more than in 2005. The survey results can be analyzed in two ways: (i) from the perspective of the creditor, that is, reporting countries' holdings of securities by country of issuer; and (ii) from the perspective of the debtor, that is, issuing countries' portfolio investment liabilities by country of investor as "derived" from creditor information.

#### **The Coordinated Direct Investment Survey**

86. In consideration of the growing needs of policymakers and other users of statistics for comprehensive and comparable data on foreign direct investment (FDI), Fund management authorized the Statistics Department in 2007 to proceed with a coordinated direct investment survey. The objective of the CDIS is to improve the quality of FDI data at global and bilateral levels. The CDIS will result in the assemblage of a comprehensive database of direct

### **Content of CDIS**

The CDIS is harmonized, using the same reference date (end-December 2009), the same valuation principles, and the same sources of information (valuing equity positions based on the books of direct investment enterprises) for both inward and outward foreign direct investment. It identifies direct investment relationships using the new guidelines that will be included in the IMF's new *Balance of Payments and International Investment Position Manual*, sixth edition (*BPM6*) and the *OECD Benchmark Definition of Foreign Direct Investment*, fourth edition (*BD4*). These two documents are entirely compatible. A draft of the *BPM6* has been posted on the IMF's public website at <http://www.imf.org/external/pubs/ft/bop/2007/bopman6.htm> and a near-final version of the manual will be posted late in 2008. The final *BD4* is available at [http://www.oecd.org/document/33/0,3343,en\\_2649\\_33763\\_33742497\\_1\\_1\\_1\\_1,00.html](http://www.oecd.org/document/33/0,3343,en_2649_33763_33742497_1_1_1_1,00.html).

Economies participating in the CDIS are making efforts to improve their compilation of direct investment statistics, such as by more comprehensively identifying direct investors and direct investment enterprises, or by more fully identifying intercompany debt positions that should be excluded from direct investment under the upcoming standards, such as financial intermediary-to-financial intermediary debt positions. Economies will also provide information to the Statistics Department on FDI data improvements that arise, at least in part, from their participation in the CDIS.

### **Data Reporting and Dissemination**

The Statistics Department requests initial results by end-September 2010 and expects to release the results at end-2010 or early 2011. Revised and more detailed information is requested by end-March 2011, which the Statistics Department expects to release a few months later.

investment positions data (as of the end of 2009), disaggregated by instrument—equity and debt—and by counterpart economy of immediate investor. The survey is being conducted in a harmonized manner, so that the same principles are applied by participants with respect to units and valuation. Invitations were sent to the entire IMF membership and a few other selected economies and, as of August 2008, more than 130 economies expressed an interest in participating. See Box 7.

87. In 2007, the IMF established a task force to provide input for a survey guide. The task force membership comprised the IMF's interagency partners (Eurostat, the ECB, the OECD, and UNCTAD), Brazil, China PR, France, Hong Kong SAR, Japan, Mexico, the Netherlands, Oman, South Africa, the United Kingdom, and the United States. The task force met twice, in Washington in June 2007 and in Hong Kong SAR in January 2008. The English version of the draft survey guide has been placed on the IMF website ([www.imf.org/cdis](http://www.imf.org/cdis)). The Arabic, Chinese, French, Russian, and Spanish versions are available upon request ([cdis@imf.org](mailto:cdis@imf.org)).

88. Also in conjunction with its interagency partners, the IMF conducted a series of regional seminars in 2008 to review with participants the steps needed to successfully participate in the survey. These seminars were held in Barbados (for countries in the Caribbean and the Atlantic), Luxembourg (for members of the European Union and the European Free Trade Area), Malaysia (for countries in the Asia Pacific region), Mexico (for Latin American countries), Oman (for countries in the Middle East), Slovenia (for countries in formerly centrally planned economies in South East Europe and the former Soviet Union), South Africa (for Anglophone African countries), and Tunisia (for Francophone African countries). A second series of seminars is being planned for 2009 to review progress and address any collection issues that may have arisen.

## Remittances

89. The Statistics Department has continued to work with its partners to improve the methodology and compilation guidance for data on remittances.

90. Rising migration and labor mobility, more liberal and competitive financial intermediaries, and improved statistical recording practices have supported rapidly increasing remittance flows recorded in official balance of payments statistics in recent years. Between 2001 and 2006, the data on remittances published in the annual *Balance of Payments Statistics Yearbook* have doubled to reach US\$255 billion (measured as global receipts of “workers’ remittances” and “compensation of employees”). For some countries, remittance receipts are a major source of foreign exchange; in certain cases, remittances exceed receipts from the export of goods and services and financial inflows from foreign direct investment.

91. The Statistics Department has recently improved methodological and compilation guidance for data on remittances, both through improvements in concepts (as shown in the *BPM6*) and through its work, in collaboration with the World Bank and a select group of compilers from around the world, in preparing a draft compilation guide for remittances (*International Transactions in Remittances: Guide for Compilers and Users*). At the 2007 meeting of the BOPCOM, a paper on remittances updated committee members on the progress of the remittances project. The committee also discussed and approved (subject to minor changes) an appendix to *BPM6* that clarifies concepts and cross-cutting issues relating to remittances.

92. In order to develop compilation guidance, as noted above, the Statistics Department and the World Bank established a group of experienced compilers to develop a set of best practices. Eurostat hosted the first meeting of the so-called “Luxembourg Group” in June 2006. The group agreed to collect or prepare material that will allow the IMF to publish a compilation guide for remittance data. A first draft of the guide was completed and circulated within the group before its meeting in Brasilia in June 2007 and a complete draft (considered near-final) was posted on the IMF’s website for public comment in September 2008. Publication as a final document (subject to editing) is expected before end-2008.

93. Training seminars on the compilation of remittances data are being planned, including a seminar in cooperation with SEACEN and the Bank of Thailand, to be held in Chiangmai, Thailand, in October 2008. A pilot seminar was held in February–March 2007 at the Center of Excellence in Finance in Ljubljana, Slovenia, with participants from eight Eastern European countries. Remittances also figure prominently in the Fund’s bilateral technical assistance missions in balance of payments statistics.

## Statistics on international trade in services

94. The Statistics Department continues to participate in the Inter-Agency Task Force on Statistics of International Trade in Services (ITFSITS) and the Technical Sub-Group on the Movement of Natural Persons (TSG-Mode 4). The ITFSITS is now focusing on updating the *Manual on Statistics of International Trade in Services (MSITS)* in accordance with revisions to the 2008 *SNA* and *BPM6*. It is providing compilation guidance on major issues related to globalization, foreign affiliates trade in services, and the movement of natural persons to take

up employment on a nonpermanent basis. At its annual meeting in October 2006, BOPCOM members considered and adopted the ITFSITS's conceptual framework for the measurement of the activities related to the movement of natural persons, including proposals for indicators of the impact of the movement of natural persons on home and host economies. It is also addressing the preparation of data collection guidelines. The revised *MSITS* is on schedule for adoption at the United Nations Statistical Commission meeting in early 2010, and the *MSITS* will be published towards the end of 2010.

## **F. Securities Statistics**

95. In July 2007, the Working Group on Securities Databases (WGSD), originally established in 1999, was reconvened in response to various international initiatives and recommendations to improve information on securities markets such as those from the Committee on the Global Financial System and Finance Ministers of the G-8. The WGSD is chaired by the IMF and includes the Bank for International Settlements, the European Central Bank, and the World Bank as members. Selected experts from national central banks, who have participated actively in various international groups that have identified the need to improve data on securities markets, have also been invited to contribute to the deliberations of the WGSD. The WGSD is producing a [\*Handbook on Securities Statistics\*](#), which will initially focus on debt securities. The *Handbook* is planned to be completed around April 2009.

## **VI. CAPACITY BUILDING AND TRAINING**

96. The technical assistance activities of the Statistics Department during fiscal year 2008 reflected, as in the past, an emphasis on comprehensive support to help member countries improve the range and quality of statistics available to support user needs. This includes the prioritization of technical assistance through diagnostic missions, the development of regional strategies, the integration of Regional Technical Assistance Centers (RTACs), and strengthened coordination within the IMF. More emphasis was given to evaluate the effectiveness of technical assistance. Since 2006, the statistical activities of the RTACs have been fully integrated with the technical assistance program of the department, allowing better coordination of technical assistance and appropriate quality control and accountability for technical assistance delivered by the RTACs. During fiscal year 2008, the Statistics Department fielded 390 technical assistance missions to 123 countries, compared with 451 missions to 128 countries in fiscal year 2007 and 451 missions to 99 countries in fiscal year 2006.<sup>7</sup> An increasing share of the funding for technical assistance comes from external donors.

### **A. Strategy and Approach**

97. Since 2007, the IMF has adopted Regional Technical Assistance Strategy Notes (RSNs) as a framework for establishing technical assistance priorities cutting across countries within each region. RSNs are prepared by the IMF's area departments in consultation with IMF departments that provide technical assistance. They succinctly outline short- and medium-term technical assistance priorities for the region covered by an area department and provide a unifying framework for technical assistance delivery to the countries of the region. One of the main

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<sup>7</sup> These data include RTAC missions starting in January 2006 and thereafter.



**Box 8. Status of Development of National Accounts in Latin America:**  
A seminar organized by the Brazilian Institute of Statistics and Geography (IBGE) and the Statistics Department during June 5–6, 2007, in Rio de Janeiro

The seminar was chaired by Mr. Eduardo Pereira Nunes, president of the IBGE and chair of the Working Group on National Accounts (WGNA) of the Statistical Conference of the Americas (SCA). Participants in the meeting included delegations from central banks and statistical institutions from 18 Latin American countries, including Cuba, and representatives from the Economic Commission for Latin American and the Caribbean (ECLAC) and the IMF. The purpose of the seminar was to discuss the status of the development of national accounts in individual countries and the overall region, and assess the availability—and needs—of source data for the compilation of sound national accounts in the region. The WGNA reported its diagnostic to the SCA's steering committee in late July 2007 about the main technical requirements/needs for a thorough implementation of the *System of National Accounts 1993 (1993 SNA)* in the Latin American region. The expectation is for the SCA's steering committee to ascertain specific projects to improve national accounts in the region and seek to identify possible cooperation arrangements and funding sources.

The exchange of views among country delegations during the seminar highlighted a number of issues regarding the implementation of the *1993 SNA*. First, countries in the region face a variety of problems in terms of source data availability and needs, resource constraints, and institutional and legal frameworks. Second, despite the reported variety of source data problems facing countries, certain sub-groups of countries face common data problems in their efforts to implement the *1993 SNA*. Third, seminar participants agreed on the merits of grouping countries according to their source data needs for thoroughly implementing the *1993 SNA*.

In late 2007, the WGNA of the UN SCA prepared a report on the source data gaps affecting the implementation of the *1993 SNA* in Latin America. The report summarized replies by country representatives from 15 Latin American countries (Argentina, Bolivia, Brazil, Chile, Colombia, Costa Rica, Cuba, El Salvador, Honduras, Mexico, Nicaragua, Paraguay, Peru, Uruguay, and Venezuela) to an extensive questionnaire on source data needs that was developed at the June 2007 seminar.

According to the WGNA's report, priority areas for a successful implementation of the *1993 SNA* included the following:

- Preparation of country-specific special studies/surveys;
- Compilation of data on employment and compensations;
- Preparation and/or updating of business directories;
- Preparation of livestock census;
- Development of administrative registries for small manufacturing enterprises;
- Better estimates of gross fixed capital formation and depreciation using administrative registries and/or enterprises' balance sheet data;
- Development of price indices for exports and imports;
- Data improvements on cost structures for input-output analysis;
- Data improvements on profit margins and commercialization channels for input-output analysis; and
- Better information on nonprofit institutions serving households.

Concern was expressed about the preparation of special studies/surveys in three main business sectors: (i) agriculture, including fisheries and forestry; (ii) construction activities, including notably the informal sector; and (iii) services, including transportation, hotel, business, and restaurants in the formal and informal sector. Special studies on personal services and services supplied to enterprises are also considered important for the *1993 SNA* implementation.

objectives of RSNs is to give the area departments a central role in the definition of technical assistance priorities in their respective regions and to promote increased country ownership of technical assistance.



98. The technical assistance is geared principally toward statistical capacity building in member countries, although the department also provides some short-term support to help resolve data problems that arise in the context of the IMF's surveillance activities. Using the framework of the DQAF and the GDDS, statistical capacity building covers both human and institutional elements through knowledge and skills transfers and through organizational and institutional advice. To bring about lasting improvements in national statistical systems, the Statistics Department's technical assistance program is characterized by the promotion of internationally accepted statistical methodologies and compilation practices, emphasis on regional projects and working with regional institutions, and collaboration with other donors and providers of technical assistance. Great emphasis continues to be placed on evaluating the effectiveness of technical assistance, especially with countries that have received intensive support. The Statistics Department's support includes assistance in implementing strategies as laid out in countries' GDDS "Plans for Improvement" and in meeting SDDS requirements.

### B. Statistical Domains Covered

99. To help data-producing agencies develop their statistical capacities, the Statistics Department offers advice in the following statistical domains: national accounts and price statistics, government finance, monetary and financial statistics, financial soundness indicators, and balance of payments, international investment position, and external debt statistics. Technical assistance focuses on developing new data series and improving the accuracy and reliability of existing series. Emphasis is also given to various aspects of statistical management and organization as well as enhancing accessibility and serviceability of data. To help improve the collection, compilation, and dissemination of official statistics, the department provides on-the-job training and practical hands-on help. As member countries have gained greater and more efficient access to the internet and e-mail facilities, the department has begun to make use of "remote technical assistance" that enables countries to implement improvements to national systems more interactively.

100. Advice may be provided as follows according to the statistical domain:

- **National accounts** technical assistance focuses on how to improve annual national accounts estimates or on developing quarterly national accounts (see Box 8). In the area of **price statistics**, advice may be given on how to develop or update a consumer, producer, or export/import price index. The department is working with the ISWGNA to develop an updated implementation strategy for the revised SNA.
- **Government finance statistics** missions focus on assisting countries to compile and disseminate fiscal statistics using the analytical framework and classification system of the *GFSM 2001*. Typically, technical assistance involves providing advice on the sectorization of public-sector entities, reviewing the coverage of the data reported, helping prepare bridge tables linking national classifications with the *GFSM 2001* classifications or, alternatively, assisting national authorities to prepare charts of accounts with the *GFSM 2001* classification codes embedded in the accounting system. It also involves assessing the consistency of the data across the fiscal, national accounts, balance of payments, and the monetary accounts, making recommendations to improve

data quality, and helping the authorities prepare a plan of action (migration paths) for gradual adoption of the *GFSM 2001* methodology.

- Technical assistance in **monetary and financial statistics** focuses on the adequacy of institutional coverage, the appropriate classification of monetary accounts by financial instruments, residency and the appropriate sector of the domestic or external economy, the proper valuation of accounts, and the correct statistical treatment of derivative instruments and banks under liquidation. During fiscal year 2008, many requests for assistance concentrated on the methodology and compilation procedures in accordance with the *MFSM* and the accompanying *Compilation Guide*, as well as on the introduction of the SRFs for reporting monetary data to the IMF and the establishment of integrated monetary databases that fulfill data needs of the reporting country and those of other IMF departments. The SRFs have been designed to meet a major portion of information needs of the Fund's balance sheet approach to vulnerability analysis.
- Technical assistance in **balance of payments statistics** typically provides guidance in recording international transactions in goods and services, interest and dividends, gifts and grants, and financial flows such as direct investment, portfolio investment, financial derivatives, international reserves, and other investment. Demand has increased for guidance on IIP statistics and for help to ensure that balance of payments and IIP data are fully integrated. Other topics have included the data template on international reserves and foreign currency liquidity, external debt statistics, the CPIS, and remittances.

### C. Modes of Delivery

101. The main vehicle for the delivery of technical assistance continues to be short-term single-topic missions conducted by IMF staff and externally recruited experts. These missions often originate in, and are part of, comprehensive medium-term country projects designed by multisector statistics missions or as follow-up to ROSC assessment missions (see Section IV.C). During fiscal year 2008, the Statistics Department undertook three multisector statistics missions, compared with four in fiscal year 2007. These missions addressed issues related to each statistical domain and consistent treatment of data and coordination arrangements across these domains; they also provided short- and medium-term action plans for improving statistics.

102. The department undertook 390 technical assistance missions in fiscal year 2008. An important component of the department's technical assistance program is to complement its short-term missions with the placement of long-term statistical advisors. During fiscal year 2008, the Statistics Department had 15 resident long-term experts in selected countries and regions, including 7 in the RTACs (see Box 9). Resident statistical advisors served in Anglophone Africa under the DFID project, Azerbaijan/Georgia/Uzbekistan, Botswana/Mauritius/Namibia, the Democratic Republic of the Congo and the Republic of Congo, Liberia, Libya, Southeast Europe, and Turkmenistan/Tajikistan/Uzbekistan. Resident statistical advisors also serve in the Caribbean, East Africa, Central Africa, West Africa, the Middle East, and the Pacific Islands Technical Assistance Centers.

### **Box 9. Regional Technical Assistance Centers (RTACs)**

Regional technical assistance centers have been established in Africa (East AFRITAC, Central AFRITAC, and West AFRITAC); the Caribbean (CARTAC); the Middle East (METAC); and the Pacific Region (PFTAC). Each center has one or two statistical advisors in residence and employs short-term experts. These centers are funded with the assistance of other donors. Consideration is being given to establishing additional RTACs in Central America, Central Asia, and Africa.

103. Regional GDDS projects (see Section III.B) offer synergies by leveraging the IMF's own technical assistance resources and by permitting participants to share experiences as they improve their own statistical systems. The GDDS supports this process through dissemination on the GDDS website of participants' plans for improvement and associated requirements for technical assistance. Donors and other agencies providing technical assistance thus have the opportunity to obtain an overview of countries' priorities for statistical capacity building and technical assistance needs.

#### **D. Regional Approach and International Cooperation**

104. The Statistics Department has adopted an explicit regional approach to provide strategic regional and country perspectives to its technical assistance program. The regional approach strengthens the coordination with the IMF's area departments in setting up technical assistance priorities. A regional manager provides leadership for the technical assistance program in each of the five regions. The regional managers' responsibilities include developing a regional strategy and establishing priorities for assistance in consultation with the area departments and country authorities. For a select list of 44 countries, country coordinators support the work of the regional managers and are contacts for the IMF's regional technical assistance in statistics. Country coordinators have primary responsibility for developing a country statistical strategy for the delivery of technical assistance and for coordinating with other Fund activities.

105. Seven long-term assignments were financed through the IMF by the Japanese government. The other eight long-term assignments include one advisor financed by the U.K. through DFID, one by the United Nations Development Program (UNDP), one by the Libyan government through other third-party financing, one by the Italian government, and one each in East AFRITAC, West AFRITAC, Central AFRITAC, and METAC financed by the respective group of donors supporting these centers. Technical assistance missions undertaken by short-term experts were financed by funding from Japan (62 missions), the U.K. (48 missions), and other donors (149 missions), with the balance financed from IMF resources.

106. In addition, a two-year Project on Harmonization of Monetary and Financial Statistics in Central America, Panama, and the Dominican Republic ended in August 2008 after 18 technical assistance missions, three seminars, and two evaluation visits to the beneficiary countries, covering a total of ten months of work by an expert, assisted by the project manager in the Statistics Department. The project, strongly endorsed by the Central American Monetary Council, was financed by the Japan Administered Account. Its overall objective was to harmonize the monetary and financial statistics of the participating countries to facilitate comparison across countries and analysis at the regional level. Furthermore, the project fosters

**Box 10. Courses on Macroeconomic Statistics in 2008–09 at IMF Headquarters  
and at Regional Training Centers**  
(Number of courses, calendar years)

Region	Number of courses	
	2008	2009 (planned)
AFR (Tunisia)	4	3
APD (China, India, Singapore)	6	5
EUR (Austria)	3	2
MCD (United Arab Emirates)	1	4
WHD (Brazil)	4	2
Headquarters (Washington, D.C.)	3	5
<b>Total</b>	<b>21</b>	<b>21</b>

implementation of international statistical standards, in particular, the methodology of the *MFSM*. At the end of the project, harmonized compilation systems of monetary statistics had been developed by all the countries. The main users (policymakers at central banks) and compilers of MFS from participating countries worked closely together to define a set of Harmonized Monetary and Financial Statistics (HMFS) for the region, to be used for analysis and dissemination purposes. The HMFS comprise 38 analytical tables covering the most important topics in monetary analysis.

107. The harmonization of statistics supported by this project is a remarkable experiment in supporting regional integration initiatives. Defining the MFS compilation systems based on SRFs for monetary statistics paved the way for significant improvements in quality, although it also highlighted data source limitations in some countries.

### **E. Prioritization and Evaluation**

108. The IMF prioritizes its technical assistance according to Executive Board guidance to focus on its main program areas, such as crisis prevention, poverty reduction, and assistance to low-income and post-conflict countries. The recent adoption of RSNs aims at strengthening the alignment of technical assistance with other IMF core activities. The development of RSNs introduces a broad strategic planning perspective into discussions of technical assistance in the IMF with the area departments playing a lead role, and helps establish technical assistance priorities cutting across countries within a region. As RSNs are discussed with country authorities to ensure a common understanding of technical assistance priorities and needs, the holistic approach also helps in promoting country ownership of technical assistance. The data ROSCs and multisector reports, both using the DQAF as their analytical framework, also contribute to the capacity-building agenda in the medium-term strategy of the IMF.

109. The effectiveness of technical assistance is evaluated in several different ways, including routine inspection visits, formal reviews of special technical assistance programs, effectiveness studies, and regular feedback from users. The department is participating in a Fund wide process to improve all aspects of its technical assistance program. It has established guidelines for the conduct of technical assistance evaluation following a uniform three-stage procedure, focusing on the three components of technical assistance: missions, projects, and programs. Mission evaluations take place immediately after a mission. A project evaluation is conducted about a year after the end of a technical assistance project. A program evaluation is scheduled after technical assistance has been provided in several topical areas to a country during a three- to five-year period. The systematic use of the Technical Assistance Information Management System (TAIMS) to maintain core technical assistance documentation serves as a valuable tool in strengthening the management of technical assistance, including for the department's technical assistance evaluation process.

## F. Training

110. Training courses offered by the Statistics Department generally consist of a series of lectures, discussions, practical exercises, and case studies with focus on the relevant statistical methodology (for example, *1993 SNA*; *GFSM2001*; *MFSM*; *BPM6*; *FSIs: Compilation Guide*; *External Debt Statistics: Guide for Compilers and Users*; and *Special Data Dissemination Standards: Guide to Subscribers and Users*). For information on IMF training courses, contact the IMF Institute for a catalog (fax: +1-202-623-6490, or <http://www.imf.org>).

111. During 2008, the training program of the Statistics Department covered the main macroeconomic statistics, including the following activities (see Box 10, which also includes courses for 2009):

- Three courses at IMF headquarters.
- Three seminars at the Joint Vienna Institute, Austria.
- Six seminars at the Singapore Training Institute, China, and India.
- One course at the Regional Training Program in Abu Dhabi.
- Four seminars at the Brazil Training Center.
- Four seminars at the Joint Africa Institute in Tunisia.
- Several courses/seminars at the Regional Technical Assistance Centers and in collaboration with national/regional agencies.

112. The Statistics Department organized in 2008 outreach regional seminars in many countries, often with active participation of regional organizations or member countries. These seminars covered the CDIS and balance of payments, monetary and financial statistics, FSIs, and government finance statistics in Africa and were offered in South Africa, in Ghana (with WAIFEM), and in Kenya and Tanzania (with East AFRITAC). Other outreach seminars on balance of payments and external debt, CDIS, MFS, FSIs, national account statistics, and



GDSS took place in Asia (China and ASEAN); Europe (Portugal and the ECB/Eurostat); the Middle East and Central Asia (Oman); and in the Western Hemisphere (in Mexico with CEMLA, in Barbados and Jamaica with CARTAC, and in collaboration with Mexico.).

## VII. INTERNATIONAL STATISTICAL COORDINATION AND COOPERATION

113. The Statistics Department continues to play an active role in conjunction with a number of multilateral organizations engaged in promoting sound statistical practices. The Statistics Department's role in the work of the IMF Balance of Payments Committee, four interagency task forces—on finance statistics, statistics of international trade in services, international (merchandise) trade statistics, and public sector accounting—and two intersecretariat working groups—national accounts and prices—was described above. In addition, STA

- Participates in the Committee for the Coordination of Statistical Activities, a group comprising representatives of all multinational, supranational, and regional organizations undertaking significant statistical work. The committee is sponsored and supported by the United Nations Statistics Division.
- Participates in meetings of the United Nations Statistical Commission, UN regional statistical commissions, and the OECD Committee on Statistics.
- Closely cooperates with the World Bank and with PARIS21, notably in workshops to promote countries' participation in the GDSS.
- Collaborates with the World Bank on the methodology of the ICP and contributes a representative to the Program's Technical Advisory. Its main contributions have centered on implementing an ICP methodology to enhance the quality of international price comparisons in the 2005 ICP round. The new approach will also eventually integrate the ICP into national CPI and PPI programs, enhancing at the same time the quality of the national CPIs and PPIs that is so important to economic and financial surveillance.
- Continues to work with the BIS, the Commonwealth Secretariat, OECD, and UNCTAD, in various areas, including external debt statistics, government finance, foreign direct investment, and financial accounts statistics.
- Collaborates with the International Public Sector Accounting Standards Board, which focuses on developing guidance on the accounting, auditing, and financial reporting standards of national, regional and local governments, and related governmental agencies.
- Participates, together with the BIS, the ECB, Eurostat, the OECD, the UN, and the World Bank, in the SDMX initiative to facilitate exchange of statistical information among national and international agencies.
- Participates in the Irving Fisher Committee on Central Bank Statistics.

114. The Statistics Department complements many of these activities with collaboration at the regional level as follows:

- Worked with organizations such as the Arab Monetary Fund, the Arab Institute for Training and Research in Statistics, the Statistical Economic and Social Research and Training Center for Islamic Countries, the Islamic Financial Services Board, the Bank of Central African States, the Central Bank of West African States, the Eastern Caribbean Central Bank, the Macroeconomic and Financial Management Institute of Eastern and Southern Africa, and the Economic Commission for Africa to conduct training seminars for officials from member countries.
- Actively engaged in the statistical activities of the UN regional commissions. For example, in recent years, departmental staff have participated in the meetings of the statistical committees of the Economic Commission for Europe, the Economic and Social Commission for Asia and the Pacific, the Economic and Social Commission for Western Asia, as well as the Economic Commission for Latin America and the Caribbean.
- Participates actively in meetings of statistical committees organized by Eurostat and the ECB.

## HIGHLIGHTS OF THE FY 2009 BUSINESS PLAN FOR THE STATISTICS DEPARTMENT

115. The department's work program for FY 2009 has been adapted to accommodate the further reduction in resources (compared with the FY 2008 budget allocation), while actively supporting the priorities outlined in the Fund's strategic directions in the medium-term budget. The department will increase significantly the focus on enhancing the value and potential contribution of its products to support bilateral, regional, and multilateral surveillance, including work related to globalization and macrofinancial linkages. Strict prioritization in the department's technical assistance program, consistent with the area departments' regional strategy notes, is expected to limit involvement to areas where the department has a clear comparative advantage. Collaboration with other donors and providers of technical assistance to meet needs in other areas will be enhanced. The recently completed centralization and consolidation of data and metadata management activities in the Statistics Department is expected to generate additional efficiencies in work practices and technical processes, including proceeding with full implementation of the IMF.Stat project. The downsizing and refocusing efforts undertaken by the Statistics Department are designed to complement fully the Fundwide initiative and important efficiencies are expected to be generated from the cutback in the share of resources allocated to support activities.

### A. Global Monitoring

116. Resources allocated to global monitoring in the Statistics Department are expected to increase significantly in fiscal year 2009 in relation to the total budget, led by two important initiatives: the next stage of the FSI work program as endorsed by the Executive Board involving the regular collection and dissemination of FSI data and metadata; and work related to the CDIS initiative. Further efficiency gains are expected to arise from the centralization of the data management functions in the department that will make it possible to strengthen further the quality of data services to Fund staff and external clients. Enhancements to the ICS will result in easier access to and use of the system while laying the foundations for extending the use of the ICS to area departments for data collection, thereby reducing the reporting burden on countries. It is also expected that IMF.Stat will benefit from enhanced functionality and incorporation of an increased number of databases. The warehouse will provide the foundation for the enhanced dissemination of print and electronic products. Consistent with the downsizing priorities, STA will discontinue production of the *GFSY*, but will continue to compile the government finance statistics data required for publication in the *IFS*. The department will follow up on any additional data work associated with support of the Fund's policy work on quota and voice.

117. The Statistics Department will continue to assist the remaining countries to adopt the SRFs that will lead to publication of their monetary and financial statistics in the *IFS Supplement*. With the establishment of 27 fully operational Integrated Monetary Databases used by member countries, the focus will turn to accelerating the process among the other countries that are currently in various stages of progress. There will be further development of supplementary data report forms that generate data needed to support the balance sheet approach to debt vulnerability analysis. The work program for FSIs will involve the collection and dissemination of FSI data by the Fund, initially from CCE countries, and subsequently expanded to cover other countries. The department will continue to disseminate on a quarterly

that have already graduated to the SDDS. It is expected that four new participants will adopt the GDDS in fiscal year 2009, adding further to the representation of Middle Eastern countries. The department will seek to promote statistical transparency and timeliness of data by encouraging a broader use of national summary data pages and advance release calendars by countries and aligning these more closely with the needs of ratings agencies and other major users. Continuing efforts will be made toward further efficiency gains in SDDS monitoring through the adoption of improved technology, an important prerequisite for the maintenance and monitoring work associated with the expansion in SDDS subscription and GDDS participation as well as with the refocusing of the GDDS.

### **C. Country Programs and Financial Support**

118. The department has a relatively small role to play in this key output area and has allocated a very modest amount of resources to this category. However, it plans to respond positively to requests by area departments for assistance with specific statistical issues that need to be addressed on an urgent basis.

### **D. Capacity Building**

119. The share of resources allocated to capacity-building activities is projected to decline modestly in fiscal year 2009, with training activities reduced proportionately more. The department's capacity-building strategy will continue to be based on a regional approach. Further efforts will be made to complete the process of fully integrating the RTACs' statistical activities into the department's capacity-building program and to provide for the additional workload arising from the operation of any new RTACs. Given the stricter prioritization underlying the department's capacity-building program, total delivery attributable to the department is projected to decline to about 56 person-years. This level of technical assistance will require a considerable backstopping effort to ensure that the quality of technical assistance provided by experts is maintained at a high level. The department will continue its program of evaluation of the effectiveness of implementation of the recommendations provided to member countries and the implications for future technical assistance in terms of type, modalities, and sequencing. The department has been generally successful with respect to the systematic use of TAIMS as the vehicle for managing the most important documents for all technical assistance projects undertaken by the department. This should make it possible for evaluations to be conducted in a more efficient and comprehensive manner.

120. The regional orientation of the department's technical assistance planning and delivery has been strengthened within the overall framework of the RSNs, and the technical assistance plan is fully consistent with the priorities outlined in the RSNs for the five area departments. Greater emphasis will be placed on basic capacity-building activities in countries with less developed statistical systems, whereas more emphasis will be directed toward improving data quality in countries aiming at SDDS subscription in the medium term. Several regional projects are being implemented, with two such projects focused on Central American countries involving the harmonization of standards for compiling and disseminating government finance and monetary and financial statistics. Collaboration between the department and the international, regional, and bilateral agencies that help countries build data sources and strengthen institutional capacity will be a key element in the effectiveness of the department's overall technical assistance program.



## Box 11. Statistics Department: Selected Performance Indicators

FY 2006–FY 2009

	2006	2007*	2008*	2009* <sup>8</sup>
<b>Global Monitoring</b>				
Number of countries with country pages in the <i>IFS</i>	184	188	189	190
Methodology manuals and compilation guides	24	20	22	23
<b>Country Specific and Regional Monitoring</b>				
Number of ROSCs completed (including updates)	14	8	7	4
Number of GDDS participants	84	89	91	95
Number of SDDS participants	62	64	64	65
<b>Capacity Building</b>				
Number of missions	333	451	397	370
Total delivery of technical assistance in person-years	54.0	59.5	64.1	56.0
Total delivery of technical assistance in person-years (field time)	32.0	32.1	37.2	33.5
Number of seminars/workshops conducted	43	47	38	44

\* Includes Regional Technical Assistance Center missions

121. In terms of geographic prioritization, work in supporting capacity building in Africa will continue to receive the most resources. The department expects to maintain the high level of technical assistance delivered to countries in the Middle East and Central Asia Department as a result of the posting of a number of long-term experts to these countries. Continuing effort will be made to link technical assistance priorities to the PRSPs through the GDDS and to strengthen coordination with the work of area departments. Greater emphasis will be placed on technical assistance projects to support regional surveillance and regional integration efforts. The second phase of the GDDS Project for Anglophone African Countries funded by the DFID has already benefited greatly from the adoption of the modular approach for the provision of technical assistance. The technical assistance program will be adapted to reflect the evolving needs of the international financial system as appropriate and will be designed to support the full integration of financial-real sector analysis into Fund surveillance work. In particular, assistance will be provided to member countries to expand the coverage of financial statistics that will support the Fund's work on financial sector surveillance and debt vulnerability analysis.

<sup>8</sup> Projected.

122. The department will continue to give high priority to external training activities, which account for about one-fifth of the total external training provided by the Fund. The training program will place greater emphasis on statistical issues of topical importance to the Fund. In this regard, the department will conduct a number of regional workshops in the main areas of macroeconomic statistical methodology currently undergoing revisions or updates in order to assist member countries with implementation issues.

123. External funding of the department's capacity-building program is projected to increase rapidly in fiscal year 2009. Total field delivery of technical assistance and training is expected to decline to 33.5 person-years, with internally funded activities registering a decrease of about 20 percent. The share of external funding will therefore increase further to 75 percent of field delivery. The overwhelming proportion of technical assistance provided by experts will now be externally funded, with expert-provided technical assistance funded by internal resources cut by over 50 percent. The totality of regional or peripatetic technical assistance projects, as well as all long-term expert assignments—projected to increase to 18—will be funded by external resources. The department will rely increasingly on the various RTACs to provide downstream technical assistance and devote more internal resources to strategic planning and prioritization issues.

### **Box 12. Strategic Directions in the IMF's Medium-Term Budget<sup>9</sup>**

There is a clear sense that the institution needs to change with the times and that a new income model to set the IMF on a sustainable financial path must also be paired with a new business model. To better serve the needs of the IMF members, the principle of comparative advantage should guide the IMF's work program. The institution is envisioned to be more alert to emerging issues, more critical in its assessments (especially in good times), and more assertive in communicating its concerns, especially with regard to:

- Global surveillance—with deeper analysis of macro-financial linkages, exchange rates, and spillovers, especially emanating from advanced economies and markets.
- Bilateral surveillance—with a more global perspective and cross-country experience brought to bear on policy dilemmas of countries, especially in emerging markets.
- Low-income country work—with the IMF's contribution emphasizing macro-financial stability focusing on the IMF associated core expertise.
- Capacity building—with technical assistance focused on macroeconomic issues, prioritized through a mechanism for charges, and augmented by more fund-raising.
- A more modern IMF—with a governance structure better reflecting its membership, a sustainable income model, and lower administrative costs.

<sup>9</sup> Excerpt from "Strategic Directions in the Medium-Term Budget," statement by Managing Director Dominique Strauss-Kahn to the IMF Executive Board, April 12, 2008.

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