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Unmet Needs of Fund Users for Balance of Payments Statistics: Proposals for the Revision of the the Fifth Edition of the *Balance of Payments Manual*

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Contents **Page**

I. Introduction 3

II. Unmet Needs for Balance of Payments Statistics 3

III. Use of *BPM5* Standard Components by the Fund 9
A. The Use of *BPM5* Standard Components for Reporting to the Fund 9
B. The Use of *BPM5* Standard Components in Area Department Board Papers 10

IV. Work by STA in Expanding the Scope of *BPM5* and the Development of Related Methodologies 12

V. The Implications of the Balance Sheet Approach as Developed by PDR 14

Appendices

1. *BPM5* Standard Components and Selected Supplementary Information 15

2. A Summary of Balance of Payments Presentations Used by Area Departments in Papers to the Board on Article IV Consultations and Program Monitoring Discussions 27

3. Extract from the Revision of the *Balance of Payments Manual*, Fifth Edition (Annotated Outline) on Institutional Sectors 32

I. INTRODUCTION

1. This paper reports on discussions within the Fund on the Fund's needs for balance of payments statistics, with a view to determining whether the fifth edition of the *Balance of Payments Manual* (*BPM5*) has provided a framework that adequately meets the Fund's needs for balance of payments statistics for analysis and surveillance purposes. The discussion is intended to help identify unmet needs that can be taken into account by STA in the present review of the *BPM5* that is being undertaken by the Fund in close collaboration with other international organizations and with statistical compilers in Fund member countries.

2. Because most countries use the *BPM5* as a framework for reporting balance of payments statistics, the balance of payments statistics they compile and publish are likely to be within the framework of the *BPM5*. Thus, even though there is no standard Fund template for reporting balance of payments statistics to the Fund, the *BPM5* is likely to be the framework used by countries in reporting, subject to data availability.[1] This conclusion is confirmed in the assessment of balance of payments statistics by Data Module ROSCs and from the discussions with Fund users in the preparation of this paper.

3. The paper is organized as follows. Section II draws from the following sections to provide a summary of unmet needs for balance of payments statistics. These unmet needs are presented in terms of issues for discussion, responses by Fund users, and actions taken or under consideration by the IMF Committee on Balance of Payments Statistics. Section III reports on the use of the *BPM5* standard components by countries as a framework for reporting to the Fund, and the use of the *BPM5* standard components by area departments as evidenced in Board papers reporting on recent Article IV and program monitoring consultations. Section IV reports on work by STA since the publication of the *BPM5* in expanding its scope and the development of related methodologies. Section V considers the implications for the identification of unmet user needs in balance of payments statistics of the balance sheet approach developed by the Fund's Policy Development and Review Department.

II. UNMET NEEDS FOR BALANCE OF PAYMENTS STATISTICS

4. The following presents a list of unmet needs drawn from the following sections of this report. These unmet needs are presented in terms of questions for discussion, responses by Fund users, and actions taken or under consideration by the IMF Committee on Balance of Payments Statistics.

5. **Question 1*: Should the sector classification for current transfers allow for the reporting of official transfers credits and debits (as a combination of general***

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[1] STA's training and technical assistance activities in balance of payments statistics are all focused on helping countries implement *BPM5*. Out of 181 countries that report their balance of payments statistics to STA (including countries that are not members of the Fund), 160 report in *BPM5* format on a best efforts basis.

government and monetary authorities) – in line with practice in the financial account? If so, how important is this?

6. **Response:** For the most part, no questions were raised by Fund users regarding the treatment of the current and capital accounts in the *BPM5,* for which the sector classification was acceptable. The only suggestion was for the sector classification of current transfers to recognize the official sector. There was widespread support for this.

7. **Action:** The proposed institutional sector classificiation in the revision to *BPM5* is given in the response to Question 2. Although this is no official sector as such, a breakdown of current and capital transfers credits and debits by general government and central bank will result from application of the proposed new system.

8. ***Question 2: Should there be an expanded sector classification for the financial account and international investment position (IIP), currently confined to monetary authorities, general government, banks, and other sectors. For the purposes of balance sheet analysis, should this split other sectors into other financial, nonfinancial corporations, and households? How important is the public/private sector split? Should there be a more detailed sectorization for other purposes (see Appendix 4). If so, how important is this?***

9. **Response:** There was widespread support for providing a more detailed breakdown by domestic sector in both the financial account and international investment position. Options include identifying the public sector, other financial corporations, nonfinancial corporations, and households. The requirement for a public/private split was driven by the needs for program monitoring and applied mainly to emerging market and developing countries, and the requirement for a breakdown of other sectors was driven by the needs for balance sheet analysis of vulnerability issues. In the latter case, it was acknowledged that *BPM5* met a core requirement but more sector detail would help, especially for emerging market countries.

10. **Action:** The *BPM5* institutional sector classification will be harmonized with that of the SNA93. The existing *BPM5* classification was considered undesireable in that the "other" sector included both financial and nonfinancial units and was unsuitable for users who wished to relate data to monetary, financial, and national accounts statistics. Of the two classifications, one following the SNA format and the other a *BPM5* compatible version, the former was considered to have the greater merit in principle, and the latter to be a useful transitional solution. It was acknowledged that the SNA format would not meet some user needs, notably for a public/private sector split. Supplementary items are therefore likely to be recommended to cover monetary authorities, public nonfinancial corporations, and public financial corporations. Additional institutional detail is proposed for a central/state and local split of general government, collective investment schemes, holding companies, entities for holding and managing wealth, and international organizations. Consideration is also being given to distinguishing between financial and nonfinancial corporations.

11. To accommodate the expanded institutional sector classification, the revision to *BPM5* will rccognize supplementary classifications as part of the system. This in turn

implies that there will be greater flexibility in designing country specific dissemination frameworks and in data reporting to STA, all within the framework of the revised *BPM5*.

12. ***Question 3: Should there be a supplementary maturity classification for the financial account and IIP that provides a breakdown of non-equity instruments (assets and liabilities) by residual maturity? If so, how important is this?***

13. **Response:** There was strong support for classification by both contractual and residual maturity and especially so for emerging market countries. For African countries, in recognition of the fact that reporting on a residual maturity is more demanding on compilers, the existing classification was considered sufficient to meet user needs.

14. **Action:** The revision to *BPM5* will adopt original term as the basis for recording but recognize residual maturity as more relevant for analyzing liquidity, which relates to balance sheet positions. To accommodate these needs, the revision to *BPM5* will adopt, as a supplementary presentation for the international investment position statement, the approach used in the *External Debt Guide*, namely; (i) short-term debt on an original maturity basis; (ii) long-term debt due for payment within one year or less; and (iii) long-term debt due for payment in more than one year.

15. ***Question 4: Should there be a supplementary classification by instrument in the financial account and IIP to identify foreign currency denominated or foreign currency index linked instruments (assets and liabilities). If so, how important is this?***

16. **Response:** There was widespread and strong support for a classification that identifies foreign currency denominated or index linked financial instruments, especially for emerging market economies.

17. **Action:** The classification of debt instruments in the revision to *BPM5* will follow the *External Debt Guide* by including external debt (e.g., loans and debt securities) denominated in domestic currency, external debt denominated in foreign currency, and external debt indexed linked to foreign currency. This classification may also be applied to other parts of the international investment position statement where such a classification may be relevant, such as external lending (loans and debt securities) and other investment assets and liabilities.

18. ***Question 5: Should there be a supplementary table to the IIP on the gross external debt position that identifies sector, maturity, instrument, currency, and arrears that draws from the tables included in the External Debt Guide? Should this be for all economies or just emerging market and developing economies?***

19. **Response:** There was strong and widespread support for expanding the international investment position in the revision to *BPM5* to include the tables in the *External Debt Guide* on the gross external debt position with regard to data on types of instrument, currency of denomination, and arrears. Data on sector and maturity were also required, as indicated in the reponses to questions 2 and 3.

20. **Action:** In the revision to *BPM5*, the international investment position will include as standard components or supplementary information the data needed to support the tables in the *External Debt Guide* on the gross external debt position with regard to types of instrument, currency of denomination, and arrears. The use of analytic country groups in the revision to *BPM5*, such as emerging market and developing countries, is discussed in the response to question 7.

21. ***Question 6 : Should international financial centers be treated as part of the economic territory in which they are located and should entities that establish domicile there be treated as resident for balance of payments purposes? Please give reasons for your preference. If they were to be treated as resident, would you wish the international financial sector to be treated as a separate domestic sector in the balance of payments and national accounts statistics? If so, why?***

22. **Response*:*** There was widespread support for treating international financial centers in small economies as a separate institutional sector. All but one user supported treating entities that have established legal domicile in these centers as resident in the economy of which the international financial center is a part, although some were indifferent.

23. **Action:** The revision to *BPM5* will not provide specific guidance on the treatment of international financial centers in small economies. However, as the core activities of such financial centers comprise the provision of banking and other financial services to nonresidents by entities that have little physical presence in the host economy, recommendations on the treatment of special purpose entities (SPEs) in the revision to *BPM5* will have some relevance and their application to small economies with international financial centers could be spelled out.

24. The revision to *BPM5* will recommend that the residence of SPEs be determined by their legal domicile. This has the implication that (large or small) economies should treat SPEs operating in their international financial centers as resident in the host economy. Hence, an "offshore" economy would not be recognized in the system. SPEs would also be subject to the same general rules as other entities in respect of gross reporting of credits and debits in the current account and separate reporting of assets and liabilities in the financial account. However, there remains a lively debate on how SPEs should be treated in the institutional and functional classification of the financial account, given that they are likely to be involved in substantial cross-border movement of funds.

25. Since SPEs are likely to be providing services for parent companies that are, in most cases, resident outside the host economy, two major issues are their treatment in direct investment statistics and their treatment in financial sector statistics. Much of this discussion has centered on economies with SPEs that mostly comprise holding companies, including those that have the sole function of controlling and directing subsidiaries.[2] In these cases, it was agreed that if holding companies are an analytically

[2] A decision has not yet been made whether a holding company with nonfinancial subsidiaries in the same economy should be treated as a financial institution or assume the sector classification of its subsidiaries.

significant part of the financial sector, they should be shown as a subgroup of other financial institutions in the institutional classification. Moreover, as they are likely to be direct investors/direct investment enterprises, this institutional classification would be part of inward or outward direct investment, as appropriate. The application of these general principles to economies in which SPEs are engaged in other kinds of financial sector activities remains to be elaborated.

26. The revision to *BPM5* has also addressed the need for geographic breakdowns of inward and outward direct investment according to the residence of the direct investor/direct investment enterprise. Such classifications will not permit the identification of direct investors/direct investment enterprises that are SPEs but might provide a partner country data source for direct investment in or from small economies with international financial centers.

27. ***Question 7: Should the revision of the BPM5 recognize the need for supplementary information explicitly for emerging market and developing economies? If so, please list what this supplementary information should include***.

28. **Response*:*** There was some support for identifying additional reporting requirements for emerging market economies and, to lesser extent, developing economies, especially in the financial account and international investment position.

29. **Action**: The revision to *BPM5* is likely to identify standard components and supplementary items that may be considered by the compiler to be important for their country. More detailed breakdowns of standard components are also proposed. As with *BPM5*, countries would be expected to compile the standard components with some room for aggregation if there are zero or small entries for related items. In addition, when designing their national framework, countries would be expected to draw, as appropriate, from the detailed breakdowns of some standard components and the list of supplementary items. While remaining consistent with the comprehensive framework, the national framework should be appropriate to the structure of their external sector and the needs of analysts and policymakers. The specific needs of analysts and policymakers for emerging market and developing countries would be addressed in the revision of Appendix 5 in *BPM5* on Selected Issues in Balance of Payments Analysis.

30. ***Question 8: What are the Fund's user needs for statistics on cross-border transactions and positions for financial derivatives. Does the BPM5 framework as revised in 2000 meet user needs or is there additional information that you consider useful?***

31. ***Response:*** More specialized users favored a classification by type of contract and supplementary information on notional values and stress tests, but others considered that user needs were met by *BPM5* as revised in 2000. .

32. **Action:** A supplementary classification of financial derivative transactions and postions is proposed. This comprises a split by type (such as forward/options) together with a breakdown by risk category (such as foreign exchange, interest rate, equities, commodities). As with *BPM5*, the valuation of positions would be on a marked-to-market

basis. Supplementary information on the nominal value of derivative contracts and other information needed to conduct stress tests for option contracts would not be included.

33. ***Question 9: Are specific guidelines needed on the treatment of reserve assets in the balance of payments statements of economies that are members of currency unions? Do different guidelines apply for centralized and decentralized currency unions?***

34. **Response**: The main concern was to ensure that rules for centralized currency unions (such as the Eastern Carribean and African currency unions) are designed to attribute holdings of currency union reserves, and the underlying transactions, to member countries.

35. **Action:** It is proposed that in principle reserve assets in a centralized currency union be attributed by the currency union central bank (CUCB) to member countries on the basis of the underlying transactions, but the details, including the attribution of revaluations, are still to be worked through. For both centralized and decentralized currency unions, transactions and positions of the CUCB on own account that do not reflect transactions with member countries should not be attributed to member countries. For all currency unions, national reserve assets may comprise only assets that are recognized as reserve assets of the currency union.

36. ***Question 10: Please indicate any other unmet needs that are not covered by the foregoing questions***.

37. **Response:** The main other unmet needs identified comprised: (i) a request by some for a geographic breakdown of the financial account and international investment position; (ii) a separate standard component in the financial account and international investment position for changes (positions) in foreign currency in circulation; (iii) more detail on debt relief, such as Paris Club; (iv) an attribution of arrears by sector of creditor; and (iv) the inclusion of offshore financial centers in the sectorization by the nonresident counterparty.

38. **Action:** The collection of partner country data for selected standard components of the balance of payments will be part of the supplementary data included within the revision to *BPM5*. Supplementary data collections will be applied selectively. Such collections already exist for portfolio investment assets, reserve assets (on a confidential basis), and banks' cross-border assets and liabilities, and are planned for inward and outward direct investment positions.

39. *BPM5* recommended that foreign currency in circulation and commonly used to make payments be shown as supplementary information to the relevant standard components in the financial account and international investment position. The latter comprise other investment: currency and deposits according to the sector of the resident holder. This recommendation is likely to be retained in the revision to *BPM5*.

40. Detail on debt relief, such as Paris Club, and an attribution of arrears by sector of creditor is included in the *External Debt Guide* and may be brought into the comprehensive framework envisaged for the revision to *BPM5*, as indicated in the response to Question 5.

41. Offshore financial centers will not be a classification included in any listing of partner countries used in partner country data collections. Fund users will have to design their own classifications of offshore financial centers, possibly using other sources in conjunction with partner country data from the Coordinated Direct Investment Survey and the Coordinated Portfolio Investment Survey.

III. Use of *BPM5* Standard Components by the Fund

A. The Use of *BPM5* Standard Components for Reporting to the Fund

42. *BPM5* identifies standard components (shown in Appendix 1) that are considered to meet the needs of a multiplicity of users (not only Fund users), identify items that exhibit distinctive behavior, are important for a number of countries, are necessary for other purposes, are in accordance with international statistical standards for related statistics, and for which it is possible to collect statistics without undue difficulty. These standard components are considered to provide an appropriate framework for the structure and classification of balance of payments statistics for all countries. Thus, in the current account, all countries should separately identify goods, services, income, and current transfers, separately for credits and debits. In the capital account, all countries should separately identify capital transfers and the acquisition/disposal of nonproduced, nonfinancial assets, separately for credits and debits. In the financial account, all countries should separately identify inward and outward direct investment, portfolio investment assets and liabilities, other investment assets and liabilities, and reserve assets. For portfolio and other investment, additional breakdowns by domestic sector are required to identify monetary authorities, general government, banks, and other sectors. In a subsequent update of *BPM5* in 2000 (reflected in Appendix 1), financial derivatives, previously included under portfolio investment and income, are shown as a separate functional category. Countries using this framework are expected to combine some of the more detailed categories (such as for business services) to ensure that useful information is included in each category.

43. The *BPM5* identifies additional details to the standard components that would be needed to permit a full integration of balance of payments and the rest-of-the-world sector of the national accounts. In addition, supplementary information is sought on exceptional financing, liabilities constituting foreign authorities' reserves, and, for some financial account transactions, the sector of the nonresident party. Of these, supplementary information on exceptional financing and on the sector of the nonresident party is identified with Fund users in mind. The identification of liabilities constituting foreign authorities' reserves has been de-emphasized in the implementation of *BPM5*

because of difficulty in collecting such data from the debtor side.[3] STA makes an effort to collect and publish data on exceptional financing but not supplementary data on the sector of the nonresident party. So far as we know, most countries do not compile the latter data but there are creditor sources that users have access to (such as the BIS for the banking sector).

44. The *BPM5* also identifies standard components of the international investment position (IIP) statement that comprise an extension of the financial account to include beginning of year position, price and exchange rate changes, other adjustments, and positions at end-of-period market prices. However, although this framework is widely recognized as methodologically appropriate, countries are only now implementing it in their collection systems.[4]

45. The IIP statement provides a framework for reporting external debt statistics (i.e., all recorded liabilities other than equity instruments and financial derivatives). Because of the requirement that asset and liability positions be valued on the basis of market prices for the reference date, external debt in the form of debt securities reported in the standard components of the IIP statement is valued on a market and not on a nominal basis. However, in practice, many countries appear to be applying nominal valuations.

B. The Use of *BPM5* Standard Components in Area Department Board Papers

46. This review of area departments' needs for balance of payments statistics addresses a selection of advanced, emerging market and developing economies. It is drawn from board papers reporting on recent Article IV and program monitoring consultations for these economies – see Appendix 3. The selection comprises the **United States, Japan,** and **Australia** for advanced nonprogram economies; **South Africa, Philippines,** and **Poland** for emerging market nonprogram economies; **Saudi Arabia** and **Bahamas** for developing nonprogram economies; **Brazil** and **Peru** for emerging market program economies; and **Senegal** and **Sri Lanka** for developing program economies.

47. As one may expect, the presentation of balance of payments statistics in board papers prepared by area departments are generally consistent with *BPM5*. There are some instances of *BPM4* or other classifications being used, but these are incidental to the

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[3] A more reliable source for collecting data on liabilities constituting foreign authorities' reserves is from the creditor side. For portfolio investment, such data are collected and published by STA in the Coordinated Portfolio Investment Survey database, which is on the Fund's external website. This shows, as a single column matrix, all countries' holdings of securities held as reserve assets broken down by the country of residence of the issuer.

[4] Countries are making an effort to compile IIP statements using the *BPM5* functional classification (direct investment, portfolio investment, other investment, and reserves) and sectorization (monetary authorities, general government, banks, other sectors). Currently, 97 countries report IIP statements to STA on such a basis although private nonfinancial corporate sector external debt may not be fully covered by some countries, instrument detail may be reported on a summary basis, and financial derivative positions (a separate functional category since 2000) are largely unreported.

analysis and, in all cases, *BPM5* classifications would have equally served the purposes in mind, and were probably available. In all cases, only very summary IIP data are included, usually confined to reserves and related items and public sector external debt. The limited use of the IIP framework as a supplement to the balance of payments financial account is a puzzle, but may reflect perceptions of poor quality data.

48. In **advanced nonprogram economies**, there is one case (Australia) where use is made by the Australian authorities of financial derivatives data to assess reserves adequacy and debt sustainability. This required implementation of the balance sheet approach described ahead for the external sector together with data on the notional and market-to-market values of outstanding financial derivative contracts, as well as use of the Reserves Template data. In all other instances, the summary *BPM5* presentation seems to have met user needs. Net aggregate IIP is commonly shown with reserves and related items and external debt as “of which” items.

49. In **emerging market nonprogram economies**, exceptional financing is reported where applicable along the line recommended in the *BPM5*. Data on external debt go beyond *BPM5* by including foreign debt on a foreign-currency denominated basis as well as on a residual maturity basis (South Africa). There is also a particular focus in providing a public sector breakdown of the financial account (Philippines, Poland). Staff estimates indicate that some countries have not committed to implementing international guidelines on external debt (Philippines). There is no IIP, but memorandum items identify gross and net reserves and external debt, the latter on a residual basis for some countries (Philippines).

50. In **developing nonprogram economies**, a public sector breakdown is called for in the financial account and there is some additional sectorization (oil sector in Saudi Arabia and offshore financial sector in Bahamas—in the latter case treated as nonresident, which is a grey area in the *BPM5*.)[5] There is no IIP, but memorandum items identify gross and net reserves and external debt, the latter on a residual maturity basis for some countries (Saudi Arabia). User needs for economies with international offshore financial centers (such as Bahamas) regarding residence and sectorization are discussed further below. In some economies (Bahamas), external debt includes foreign currency debt with domestic banks.

51. In **emerging market program economies**, a public sector breakdown is called for in the financial account. The treatment of exceptional financing is consistent with *BPM5*. There is no IIP, but memorandum items identify gross and net reserves and external debt. In some countries, there is a detailed instrument breakdown of external debt (Brazil) along the lines called for in the *External Debt Guide*.

[5] Treating the offshore financial center as nonresident results in the underestimation of its contribution to GDP, a lack of information on the activities contributing to production and income, and a lack of focus on its role in the global economy.

52. In **developing program economies**, a public sector breakdown is called for in the financial account. The treatment of exceptional financing is consistent with *BPM5*. There is no IIP, but memorandum items identify gross and net reserves and external debt. In some countries, there is a detailed instrument breakdown of external debt along the lines called for in the *External Debt Guide*. One country (Senegal) is a member of a currency union, which raises issues as to how a number of items, including reserves, exceptional financing, and currency in circulation, should be treated in the balance of payments of a member country in a currency union (another grey area in *BPM5*).

IV. Work by STA in Expanding the Scope of *BPM5* and the Development of Related Methodologies

53. In addition to work on financial derivatives, there have been other initiatives by STA since the publication of *BPM5* in 1993 to develop related methodologies in response to user needs. These include initiatives on reserves and external debt that addressed the need for better data to assess external vulnerabilities, and were a respone to the international financial crises of 1997 and 1998. These are listed below.

54. Following close collaboration between STA and PDR (among others), the Fund published in 2001 *International Reserves and Foreign Currency Liquidity; Guidelines for a Data Template* (Data Template Guidelines). The IMF and a working group of the Committee on the Global Financial System (CGFS) of the Group of Ten central banks jointly developed the template in 1999. The Data Template Guidelines provide a broader measure of foreign currency resources than is shown in a balance of payments statement by introducing a concept of foreign currency needs (referred to as "net drains") that comprise predetermined (known or scheduled) and contingent (potential) demands on foreign currency resources resulting from the short-term foreign currency liabilities and off-balance sheet activities of the monetary authorities and the central government (excluding social security funds). In defining net drains, the Data Template Guidelines include the notional values of financial derivatives contracts, as well as their marked-to-market values (which should be included in the IIP statement). In doing so, the Data Template Guidelines expand the scope for reporting financial derivative statistics. Another difference between the IIP and the Data Template is that the data on external liabilities in the IIP are based on the *BPM5* concept of residence, while in the Data Template loans and securities repayable in foreign currencies are included irrespective of the residence of the holder. As the Data Template Guidelines were developed primarily to address financial vulnerability issues, they are particularly useful to Fund users in conjunction with a balance of payments statement and an international investment position (and are mandated for countries subscribing to the Fund's Special Data Dissemination Standard (SDDS)).

55. On behalf of the Interagency Task Force on Finance Statistics, and following close collaboration with other international organizations and with compilers and users of external debt statistics in Fund member countries, the Fund published *External Debt Statistics: Guide for Compilers and Users* (*External Debt Guide*) in 2003. The *External Debt Guide* provides a comprehensive set of tables that comprise an extended

classification of external debt to that shown recommended in the *BPM5*, for example, by sector (including public and publicly guaranteed external debt), by type of debt reorganization, by currency, and by creditor. The *External Debt Guide* also proposes that debt securities be valued on both a nominal and market value basis, and allows for the provision of supplementary data on future debt service schedules, contingent liabilities, the stock of arrears, the notional value for foreign currency and interest rate linked financial derivatives.

56. A set of three data templates has been developed jointly by the Fund and the World Bank drawing from the tables in the *External Debt Guide*. The templates are built around the required and encouraged external debt data categories in the SDDS and include, as supplementary items, some of the additional classifications identified in the *External Debt Guide*.[6] The templates have initially been sent to countries subscribing to the Fund's SDDS. Subsequent efforts will be made to expand the coverage of the countries beyond those subscribing to the SDDS. The data from these templates will be included in a centralized external debt database managed by the World Bank. It is recognized that many SDDS subscribing countries will not be able to report all of the data requested, but are being encouraged to do so over time.

57. In recent years, there has been growing interest in developing geographic breakdowns of the asset and liability side of the IIP and related financial account transactions as a supplement to the *BPM5* framework. For portfolio investment, such breakdowns can be useful in the assessment of regional and financial integration, globalization, and spill-over effects between countries (contagion), allow users to study data at both the economy and the global level, and provide users with a creditor data source for counterpart IIP liabilities. In response to such needs, STA now conducts an annual *Coordinated Portfolio Investment Survey* (CPIS) for portfolio investment assets for 67 economies based on a common methodology drawn from the *BPM5*. With a view to undertaking a similar initiative for inward and outward direct investment, STA is undertaking a feasibility study of the costs and benefits associated with conducting a *Coordinated Direct Investment Survey* (CDIS). A particular challenge for the CDIS will be to reach agreement on the implementation of a common methodology, which may well require some modification of the *BPM5*. Geographic breakdowns of elements of other investment assets and liability positions have been developed from creditor sources (by the OECD for official lending and by the BIS for lending by banks).

58. In response to user needs for breakdowns of the asset and liability side of the IIP in which the nonresident counterparty is a commercial bank (not reported separately in the *BPM5* standard components), STA provides Fund users access, through the EDSS, to the BIS international locational banking statistics, which provide a geographic breakdown of a country's claims on, and liabilities to, nonresident commercial banks that participate in this collection.

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[6] The resulting database for SDDS countries can be found on the World Bank external website (http:www.worldbank.org/data/working/QEDS/sdds_main.html)

V. THE IMPLICATIONS OF THE BALANCE SHEET APPROACH AS DEVELOPED BY PDR

59. The balance sheet approach elaborated by PDR recognizes an array of statistical needs that are required by emerging market economies to assess risks created by maturity, currency, and capital structure mismatches.[7] While the *BPM5* standard components for the IIP broadly meet these needs for the external sector with regards to the instrument breakdown (for which the balance sheet approach requires a split between equities and lending/debt) and sectorization (for which the balance sheet approach requires, as a minimum, a breakdown by official, banking, and other sectors), the *BPM5* standard components do not meet the requirements of the balance sheet approach for a breakdown of non-equity assets and liabilities by currency of denomination (at least domestic/foreign in which foreign includes foreign currency indexed linked securities), and a breakdown of non-equity assets and liabilities by residual maturity. Of importance also is the requirement of the balance sheet approach for a complete balance sheet of the domestic sectors that identifies their claims on and liabilities to each other, and identifies the required detail for instrument, currency of denomination, and residual maturity. Without this additional information by domestic sectors regarding their claims on and liabilities to each other, the usefulness of the IIP is diminished.[8] This has the implication that changes in 19*93 SNA* would be needed in conjunction with changes in *BPM5* if the needs of the balance sheet approach are to be fully met.

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[7] See *A Balance Sheet Approach to Financial Crises*, December 2002, WP/02/210, and *Debt-Related Vulnerabilities and Financial Crises- An Application of the Balance Sheet Approach to Emerging Market Countries*, July 2004, SM/04/210

[8] The *Government Finance Statistics Manual 2001* (*GFSM2001*), *SNA93*, and the *Monetary and Financial Statistics Manual 2001* (*MFSM 2000*) provide guidance on the classification of one domestic sector's claims on and liabilities to another domestic sector. The *GFSM2001* does not call for the public sector to report claims on and liabilities to other domestic sectors that are denominated in, or indexed to, foreign currency, or call for a breakdown of such claims by residual maturity. The 19*93 SNA* calls for deposits denominated in foreign currency to be reported, but not holdings of debt securities or loans issued by residents that are denominated in, or indexed to, foreign currencies, and does not call for a breakdown of such claims by residual maturity. For the financial sector, the *MFSM 2000* follows the same approach as the 19*93 SNA*.

The *BPM5* Standard Components

	Credit	Debit
1. Current Account		
A. Goods and services		
a. Goods		
1. General merchandise		
2. Goods for processing		
3. Repairs on goods		
4. Goods procured in ports by carriers		
5. Nonmonetary gold		
5.1 Held as a store of value		
5.2 Other		
b. Services		
1. Transportation		
1.1 Sea transport		
1.1.1 Passenger		
1.1.2 Freight		
1.1.3 Other		
1.2 Air transport		
1.2.1 Passenger		
1.2.2 Freight		
1.2.3 Other		
1.3 Other transport		
1.3.1 Passenger		
1.3.2 Freight		
1.3.3 Other		
2. Travel		
2.1 Business		
2.2 Personal		
3. Communications services		
4. Construction services		
*5. Insurance services**		
6. Financial services		
7. Computer and information services		
8. Royalties and license fees		
9. Other business services		
9.1 Merchanting and other trade-related services		
9.2 Operational leasing services		
9.3 Miscellaneous business, professional, and technical services		
10. Personal, cultural, and recreational services		
10.1 Audiovisual and related services		
10.2 Other personal, cultural, and recreational services		
11. Government services n.i.e.		

*Memorandum items 5.1 Gross premiums
5.2 Gross claims

The *BPM5* Standard Components (continued)

	Credit	Debit
B. Income		
1. Compensation of employees		
2. Investment income		
2.1 Direct investment		
2.1.1 Income on equity		
2.1.1.1 Dividends and distributed branch profits**		
2.1.1.2 Reinvested earnings and undistributed branch profits**		
2.1.2 Income on debt (interest)		
2.2 Portfolio investment		
2.2.1 Income on equity (dividends)		
2.2.2 Income on debt (interest)		
2.2.2.1 Bonds and notes		
2.2.2.2 Money market instruments		
2.3 Other investment		
C. Current transfers		
1. General government		
2. Other sectors		
2.1 Workers' remittances		
2.2 Other transfers		
2. Capital and Financial Account		
A. Capital account		
1. Capital transfers		
1.1 General government		
1.1.1 Debt forgiveness		
1.1.2 Other		
1.2 Other sectors		
1.2.1 Migrants' transfers		
1.2.2 Debt forgiveness		
1.2.3 Other		
2. Acquisition/disposal of non-produced, nonfinancial assets		
B. Financial account		
1. Direct investment		
1.1 Abroad		
1.1.1 Equity capital		
1.1.1.1 Claims on affiliated enterprises		
1.1.1.2 Liabilities to affiliated enterprises		
1.1.2 Reinvented earnings		

**If distributed branch profits are not identified, all branch profits are considered to be distributed.

The *BPM5* Standard Components (continued)

	Credit	Debit
1.1.3 Other capital		
1.1.3.1 Claims on affiliated enterprises		
1.1.3.2 Liabilities to affiliated enterprises		
1.2 In reporting economy		
1.2.1 Equity capital		
1.2.1.1 Claims on direct investors		
1.2.1.2 Liabilities to direct investors		
1.2.2 Reinvested earnings		
1.2.3 Other capital		
1.2.3.1 Claims on direct investors		
1.2.3.2 Liabilities to direct investors		
1.2.4 Financial derivatives		
1.2.4.1 Claims on direct investors		
1.2.4.2 Liabilities to direct investors		
2. Portfolio investment		
2.1 Assets		
2.1.1 Equity securities		
2.1.1.1 Monetary authorities		
2.1.1.2 General government		
2.1.1.3 Banks		
2.1.1.4 Other sectors		
2.1.2 Debt securities		
2.1.2.1 Bonds and notes		
2.1.2.1.1 Monetary authorities		
2.1.2.1.2 General government		
2.1.2.1.3 Banks		
2.1.2.1.4 Other sectors		
2.1.2.2 Money market instruments		
2.1.2.2.1 Monetary authorities		
2.1.2.2.2 General government		
2.1.2.2.3 Banks		
2.1.2.2.4 Other sectors		
2.2 Liabilities		
2.2.1 Equity securities		
2.2.1.1 Banks		
2.2.1.2 Other sectors		
2.2.2 Debt securities		
2.2.2.1 Bonds and notes		
2.2.2.1.1 Monetary authorities		
2.2.2.1.2 General government		
2.2.2.1.3 Banks		
2.2.2.1.4 Other sectors		

The *BPM5* Standard Components (continued)

	Credit	Debit
2.2.2.2 Money market instruments		
2.2.2.2.1 Monetary authorities		
2.2.2.2.2 General government		
2.2.2.2.3 Banks		
2.2.2.2.4 Other sectors		
3. Financial derivatives		
3.1 Assets		
3.1.1 Monetary authorities		
3.1.2 General government		
3.1.3 Banks		
3.1.4 Other sectors		
3.2 Liabilities		
3.2.1 Monetary authorities		
3.2.2 General government		
3.2.3 Banks		
3.2.4 Other sectors		
4. Other investment		
4.1 Assets		
4.1.1 Trade Credits		
4.1.1.1 General government		
4.1.1.1.1 Long-term		
4.1.1.1.2 Short-term		
4.1.1.2 Other sectors		
4.1.1.2.1 Long-term		
4.1.1.2.2 Short-term		
4.1.2 Loans		
4.1.2.1 Monetary authorities		
4.1.2.1.1 Long-term		
4.1.2.1.2 Short-term		
4.1.2.2 General government		
4.1.2.2.1 Long-term		
4.1.2.2.2 Short-term		
4.1.2.3 Banks		
4.1.2.3.1 Long-term		
4.1.2.3.2 Short-term		
4.1.2.4 Other sectors		
4.1.2.4.1 Long-term		
4.1.2.4.2 Short-term		
4.1.3 Currency and deposits		
4.1.3.1 Monetary authorities		
4.1.3.2 General government		
4.1.3.3 Banks		
4.1.3.4 Other sectors		

The *BPM5* Standard Components (continued)

	Credit	Debit
4.1.4 Other assets		
4.1.4.1 Monetary authorities		
4.1.4.1.1 Long-term		
4.1.4.1.2 Short-term		
4.1.4.2 General government		
4.1.4.2.1 Long-term		
4.1.4.2.2 Short-term		
4.1.4.3 Banks		
4.1.4.3.1 Long-term		
4.1.4.3.2 Short-term		
4.1.4.4 Other sectors		
4.1.4.4.1 Long-term		
4.1.4.4.2 Short-term		
4.2 Liabilities		
4.2.1 Trade Credits		
4.2.1.1 General government		
4.2.1.1.1 Long-term		
4.2.1.1.2 Short-term		
4.2.1.2 Other sectors		
4.2.1.2.1 Long-term		
4.2.1.2.2 Short-term		
4.2.2 Loans		
4.2.2.1 Monetary authorities		
4.2.2.1.1 Use of Fund credit and loans from the Fund		
4.2.2.1.2 Other long-term		
4.2.2.1.3 Short-term		
4.2.2.2 General government		
4.2.2.2.1 Long-term		
4.2.2.2.2 Short-term		
4.2.2.3 Banks		
4.2.2.3.1 Long-term		
4.2.2.3.2 Short-term		
4.2.2.4 Other sectors		
4.2.2.4.1 Long-term		
4.2.2.4.2 Short-term		
4.2.3 Currency and deposits		
4.2.3.1 Monetary authorities		
4.2.3.2 Banks		

The *BPM5* Standard Components (concluded)

	Credit	Debit
4.2.4 Other liabilities		
4.2.4.1 Monetary authorities		
4.2.4.1.1 Long-term		
4.2.4.1.2 Short-term		
4.2.4.2 General government		
4.2.4.2.1 Long-term		
4.2.4.2.2 Short-term		
4.2.4.3 Banks		
4.2.4.3.1 Long-term		
4.2.4.3.2 Short-term		
4.2.4.4 Other sectors		
4.2.4.4.1 Long-term		
4.2.4.4.2 Short-term		
5. Reserve assets		
5.1 Monetary gold		
5.2 Special drawing rights		
5.3 Reserve position in the Fund		
5.4 Foreign exchange		
5.4.1 Currency and deposits		
5.4.1.1 With monetary authorities		
5.4.1.2 With banks		
5.4.2 Securities		
5.4.2.1 Equities		
5.4.2.2 Bonds and notes		
5.4.2.3 Money market instruments		
5.4.3 Financial derivatives		
5.5 Other claims		

Selected Supplementary Information

1. Liabilities constituting foreign authorities' reserves
- 1.1 Bonds and other securities
  - 1.1.1 Monetary authorities
  - 1.1.2 General government
  - 1.1.3 Banks
  - 1.1.4 Other sectors
- 1.2 Deposits
  - 1.2.1 Monetary authorities
  - 1.2.2 Banks
- 1.3 Other liabilities
  - 1.3.1 Monetary authorities
  - 1.3.2 General government
  - 1.3.3 Banks
  - 1.3.4 Other sectors

2. Exceptional financing transactions
- 2.1 Transfers
  - 2.1.1 Debt forgiveness
  - 2.1.2 Other intergovernmental grants
  - 2.1.3 Grants received from Fund subsidy accounts
- 2.2 Direct investment
  - 2.2.1 Investment associated with debt reduction
  - 2.2.2 Other
- 2.3 Portfolio investment: borrowing by authorities or other sectors on authorities' behalf—liabilities*
- 2.4 Other investment—liabilities*
  - 2.4.1 Drawings on new loans by authorities or other sectors on authorities' behalf
  - 2.4.2 Rescheduling of existing debt
  - 2.4.3 Accumulation of arrears
    - 2.4.3.1 Principal on short-term debt
    - 2.4.3.2 Principal on long-term debt
    - 2.4.3.3 Original interest
    - 2.4.3.4 Penalty interest
  - 2.4.4 Repayments of arrears
    - 2.4.4.1 Principal
    - 2.4.4.2 Interest
  - 2.4.5 Rescheduling of arrears
    - 2.4.5.1 Principal
    - 2.4.5.2 Interest
  - 2.4.6 Cancellation of arrears
    - 2.4.6.1 Principal
    - 2.4.6.2 Interest

*Specify sector involved and standard components in which the item is included.

Selected Supplementary Information (concluded)

3. Other transactions
- 3.1 Portfolio investment income
  - 3.1.1 Monetary authorities
  - 3.1.2 General government
  - 3.1.3 Banks
  - 3.1.4 Other sectors
- 3.2 Other (than direct investment) income
  - 3.2.1 Monetary authorities
  - 3.2.2 General government
  - 3.2.3 Banks
  - 3.2.4 Other sectors
- 3.3 Other investment (liabilities)
  - 3.3.1 Drawings on long-term trade credits
  - 3.3.2 Repayments of long-term trade credits
  - 3.3.3 Drawings on long-term loans
  - 3.3.4 Repayments of long-term loans

4. Services sub-items
- 4.1 Travel (personal)
  - 4.1.1 Health-related
  - 4.1.2 Education-related
  - 4.1.3 Other
- 4.2 Miscellaneous business, professional, and technical services
  - 4.2.1 Legal, accounting, management consulting, and public relations
  - 4.2.2 Advertising, market research, and public opinion polling
  - 4.2.3 Research and development
  - 4.2.4 Architectural, engineering, and other technical services
  - 4.2.5 Agricultural, mining, and on-site processing
  - 4.2.6 Other

Standard Components of the International Investment Position

	Position at Beginning of Year	Changes in Position Reflecting: Trans-actions	Price Changes	Exchange Rate Changes	Other Adjust-ments	Position at End of Year
A. Assets						
*1. Direct investment abroad**						
1.1 Equity capital and reinvested earnings						
1.1.1 Claims on affiliated enterprises						
1.1.2 Liabilities to affiliated enterprises						
1.2 Other capital						
1.2.1 Claims on affiliated enterprises						
1.2.2 Liabilities to affiliated enterprises						
1.3 Financial derivatives						
1.3.1 Claims on affiliated enterprises						
1.3.2 Liabilities to affiliated enterprises						
2. Portfolio investment						
2.1 Equity securities						
2.1.1 Monetary authorities						
2.1.2 General government						
2.1.3 Banks						
2.1.4 Other sectors						
2.2 Debt securities						
2.2.1 Bonds and notes						
2.2.1.1 Monetary authorities						
2.2.1.2 General government						
2.2.1.3 Banks						
2.2.1.4 Other sectors						
2.2.2 Money market instruments						
2.2.2.1 Monetary authorities						
2.2.2.2 General government						
2.2.2.3 Banks						
2.2.2.4 Other sectors						
3. Financial derivatives						
3.1 Monetary authorities						
3.2 General government						
3.3 Banks						
3.4 Other sectors						
4. Other investment						
4.1 Trade credits						
4.1.1 General government						
4.1.1.1 Long-term						
4.1.1.2 Short-term						
4.1.2 Other sectors						
4.1.2.1 Long-term						
4.1.2.2 Short-term						

*Because direct investment is classified primarily on a directional basis – abroad under the heading **Assets** and in the reporting economy under the heading **Liabilities** – claim/liability breakdowns are shown for the components of each, although these sub-items do not strictly conform to the asset and liability headings.

Standard Components of the International Investment Position (continued)

	Position at Beginning of Year	Changes in Position Reflecting: Trans-actions	Price Changes	Exchange Rate Changes	Other Adjust-ments	Position at End of Year
4.2 Loans						
4.2.1 Monetary authorities						
4.2.1.1 Long-term						
4.2.1.2 Short-term						
4.2.2 General government						
4.2.2.1 Long-term						
4.2.2.2 Short-term						
4.2.3 Banks						
4.2.3.1 Long-term						
4.2.3.2 Short-term						
4.2.4 Other sectors						
4.2.4.1 Long-term						
4.2.4.2 Short-term						
4.3 Currency and deposits						
4.3.1 Monetary authorities						
4.3.2 General government						
4.3.3 Banks						
4.3.4 Other sectors						
4.4 Other assets						
4.4.1 Monetary authorities						
4.4.1.1 Long-term						
4.4.1.2 Short-term						
4.4.2 General government						
4.4.2.1 Long-term						
4.4.2.2 Short-term						
4.4.3 Banks						
4.4.3.1 Long-term						
4.4.3.2 Short-term						
4.4.4 Other sectors						
4.4.4.1 Long-term						
4.4.4.2 Short-term						
5. Reserve assets						
5.1 Monetary gold						
5.2 Special drawing rights						
5.3 Reserve position in the Fund						
5.4 Foreign exchange						
5.4.1 Currency and deposits						
5.4.1.1 With monetary authorities						
5.4.1.2 With banks						

Standard Components of the International Investment Position (continued)

	Position at Beginning of Year	Changes in Position Reflecting Trans-actions	Price Changes	Exchange Rate Changes	Other Adjust-ments	Position at End of Year
5.4.2 Securities						
5.4.2.1 Equities						
5.4.2.2 Bonds and notes						
5.4.2.3 Money market instruments						
5.4.3 Financial derivatives (net)						
5.5 Other claims						
B. Liabilities						
*1. Direct investment in reporting economy**						
1.1 Equity capital and reinvested earnings						
1.1.1 Claims on direct investors						
1.1.2 Liabilities to direct investors						
1.2 Other capital						
1.2.1 Claims on direct investors						
1.2.2 Liabilities to direct investors						
1.3 Financial derivatives						
1.3.1. Claims on direct investors						
1.3.2 Liabilities to direct investors						
2. Portfolio investment						
2.1 Equity securities						
2.1.1 Banks						
2.1.2 Other sectors						
2.2 Debt securities						
2.2.1 Bonds and notes						
2.2.1.1 Monetary authorities						
2.2.1.2 General government						
2.2.1.3 Banks						
2.2.1.4 Other sectors						
2.2.2 Money market instruments						
2.2.2.1 Monetary authorities						
2.2.2.2 General government						
2.2.2.3 Banks						
2.2.2.4 Other sectors						
3. Financial derivatives						
3.1 Monetary authorities						
3.2 General government						
3.3 Banks						
3.4 Other sectors						

*Because direct investment is classified primarily on a directional basis – abroad under the heading **Assets** and in the reporting economy under the heading **Liabilities** – claim/liability breakdowns are shown for the components of each, although these sub-items do not strictly conform to the asset and liability headings.

Standard Components of the International Investment Position (concluded)

	Position at Beginning of Year	Changes in Position Reflecting Trans-actions	Price Changes	Exchange Rate Changes	Other Adjust-ments	Position at End of Year
4. Other investment						
4.1 Trade credits						
4.1.1. General government						
4.1.1.1 Long-term						
4.1.1.2 Short-term						
4.1.2 Other sectors						
4.1.2.1 Long-term						
4.1.2.2 Short-term						
4.2 Loans						
4.2.1 Monetary authorities						
4.2.1.1 Use of Fund credit and loans from the Fund						
4.2.1.2 Other long-term						
4.2.1.3 Short-term						
4.2.2 General government						
4.2.2.1 Long-term						
4.2.2.2 Short-term						
4.2.3 Banks						
4.2.3.1 Long-term						
4.2.3.2 Short-term						
4.2.4 Other sectors						
4.2.4.1 Long-term						
4.2.4.2 Short-term						
4.3 Currency and deposits						
4.3.1 Monetary authorities						
4.3.2 Banks						
4.4 Other liabilities						
4.4.1 Monetary authorities						
4.4.1.1 Long-term						
4.4.1.2 Short-term						
4.4.2 General government						
4.4.2.1 Long-term						
4.4.2.2 Short-term						
4.4.3 Banks						
4.4.3.1 Long-term						
4.4.3.2 Short-term						
4.4.4 Other sectors						
4.4.4.1 Long-term						
4.4.4.2 Short-term						

A SUMMARY OF BALANCE OF PAYMENTS PRESENTATIONS USED BY AREA DEPARTMENTS IN PAPERS TO THE BOARD ON ARTICLE IV CONSULTATIONS AND PROGRAM MONITORING DISCUSSIONS

This Appendix reports on a review of board papers reporting on recent Article IV and program monitoring consultations for selected advanced, emerging market, and developing nonprogram economies, and emerging market and developing program economies.

Advanced Nonprogram Economies

United States. The following comments are based on a review of the 2003 Article IV Consultation. The balance of payments table is fully in line with the new WEO presentation although in summary form. The only breakdown by domestic sectors is for other investment (bank/nonbank shown). Other investment liabilities to foreign official creditors are requested (in line with the new WEO template). In the text, there is much discussion of external debt sustainability and the summary economic indicators table shows general government external debt as an “of which” item to a line for the net aggregate IIP (the only reference to the IIP in the report).
Conclusion: a very summary presentation that is drawn from the new WEO template.

Japan. The following comments are based on a review of the 2003 Article IV Consultation. The balance of payments table uses *BPM4* classifications (nonfactor services, invisibles, labor income) but is otherwise in line with the new WEO presentation although in summary form. The only breakdown by domestic sectors is for other investment (bank/nonbank shown). The summary economic indicators table shows the net aggregate IIP with external loan liabilities and external public sector debt as “of which” items (the only reference to the IIP in the report). In the text, there is much discussion of public debt sustainability.
Conclusion: a very summary presentation that is consistent with the new WEO template (allowing for some slippage in BPM4/BPM5 conversion).

Australia. The following comments are based on a review of the 2003 Article IV Consultation. The balance of payments table is fully in line with the new WEO presentations although in summary form. The only breakdown by domestic sectors is in the summary IIP statement, which shows net external debt for the public and private sectors. Gross external debt is also shown with A$ denominated external debt as an “of which” item. The maturity of gross external debt is shown both on a residual maturity basis and on a contractual basis. Memorandum items also show RBA outstanding forward contracts (in A$ billion at contract values). Use is made of data compiled by the ABS on cross-border hedging against foreign currency risk. These calculations require a full currency breakdown of Australia’s international investment position statement (both assets and liabilities) on a sector-by-sector basis, together with data, also sector-by-sector, on the value of financial derivative contracts, on both a nominal and market-to-market basis. In the text, there is much discussion of debt sustainability, which includes data on net non-debt creating capital flows and looks at (net and gross) external debt by domestic sector (with particular reference to external debt held by

the public and private sectors and within the latter by private financial corporations, and the currency denomination of external debt). A text table shows official data for the market-to-market value of foreign currency derivatives contracts as a measure of hedging against currency risk.
Conclusion: a very summary presentation that is drawn from the new WEO template but with an added focus on the use of financial derivatives data to show hedged positions against foreign currency risk.

Emerging Market Nonprogram Economies

South Africa. The following comments are based on a review of the 2003 Article IV Consultation. The balance of payments table is fully in line with the new WEO presentation although in summary form. No exceptional financing is reported (and there is none in BOPSY). There is no IIP but a table on indicators of external vulnerability shows short-term official foreign liabilities, the open forward position of SARB, total external debt, foreign currency denominated external debt and short-term external debt by residual maturity. Discussion of debt sustainability in the text refers to external debt creating capital flows.
Conclusion: a very summary presentation that is drawn from the new WEO template.

Philippines. The following comments are based on a review of the Staff Report for the May 2003 Post-Program Monitoring Discussions. The balance of payments table is largely in line with the new WEO presentation although in summary form. No exceptional financing is reported (and there is none in BOPSY), and receipts of workers' remittances are included as income. (The new WEO presentation follows *BPM5* in including workers' remittances in current transfers but they are not separately identified.) There is no IIP, but memorandum items to the balance of payments include monetization of gold, changes in reserve asset positions, changes in reserve-related liabilities, external debt, and short-term debt on a residual and contractual maturity. The (staff estimates for) data on external debt are broader than national data for external debt as they include additional banking sector external liabilities, some external debt not registered with the central bank, and private financial lease arrangements. There are no breakdowns by domestic or foreign sectors in the tables but the text does distinguish between public and private external debt and external debt service and external debt creating capital flows.
Conclusion: a very summary presentation that is drawn from the new WEO template (allowing for oddities in the treatment of workers' remittances.)

Poland. The following comments are based on a review of the Staff Report for the 2003 Article IV Consultation. The balance of payments table is broadly in line with the new WEO presentation although in summary form. Income and current transfers are shown net, and there are significant entries in the current account classified as net unclassified current transactions. Capital transfers are not identified. In the financial account, inward and outward direct investment, portfolio investment assets and liabilities, and other investment assets and liabilities are all identified. A separate line is shown under direct investment for privatization proceeds (public sector assets acquired by direct investors.) There is no sectorization. Exceptional financing is included. There is no IIP, but memorandum items to the balance of

payments include gross reserves, and long- and short-term external debt. In the text, there is some discussion of external debt creating capital flows.
Conclusion: a very summary presentation that is drawn from the new WEO template.

Developing Nonprogram Economies

Saudi Arabia. The following comments area based on a review of the 2002 and 2003 Article IV consultations. The balance of payments table is fully in line with the new WEO presentation although in summary form (although no distinction is made between current and capital transfers.) The breakdown by domestic sector is by official, banking, oil, some public enterprises (autonomous government institutions), and other private. Data for the oil sector are shown for merchandise exports, net (of credits and debits) for other private services, and net (of assets and liabilities) for financial account transactions. There is no IIP, although position data for net international reserves, net foreign assets of commercial banks, net foreign assets of public enterprises, and total and short-term private sector external debt (on a remaining maturity basis) are shown separately (the external debt data drawn from partner country sources.)
Conclusion: a very summary presentation that is largely drawn from the new WEO template.

The Bahamas. The following comments are based on a review of the 2003 Article IV consultation. The balance of payments table is fully in line with the new WEO presentation although in summary form (although construction service debits and travel credits are shown separately.) The breakdown by domestic sector is by public, financial, and nonfinancial private. There is no exceptional financing. There is no IIP although net international reserve and central government and public corporation external debt positions are shown separately. There is some use of *BPM4* classifications (factor and nonfactor services). In the macro flows table and tables on public debt sustainability, central government external debt includes foreign currency debt with domestic banks (resulting from the government financing, the fiscal deficit with a U.S. dollar loan intermediated by domestic banks.) In the text, there is discussion of the offshore financial sector which is treated as nonresident in the national accounts and balance of payments statistics. Separate data on the foreign assets of the offshore financial sector and its contribution (as a nonresident sector) to GDP are reported.
Conclusion: a very summary presentation that is largely drawn from the new WEO template.

Emerging Market Program Economies

Brazil. The following comments are based on a review of the 2002 First Review under the Standby Arrangement and the 2003 Article IV Consultation. The balance of payments table uses some *BPM4* classifications (factor and nonfactor services) but is otherwise in line with the new WEO presentation although in summary form. No exceptional financing is reported (BOPSY has data through 2000), and there are no breakdowns by domestic or foreign sector. Amortization on medium- and long-term debt is included (not in the new WEO presentation) with a domestic sector breakdown. There is no IIP, but memorandum items to the balance of payments include total external debt and external debt broken down by maturity (medium

and long term and short term on a contractual maturity) and domestic sector (financial, nonfinancial public, and nonfinancial private sectors), gross and net reserves (the latter defined to include liquid foreign liabilities of the central bank), and short-term foreign liabilities of commercial banks. Short-term external debt is also reported on a residual maturity basis. In the text, there is discussion of portfolio investment liabilities by type of instrument (fixed, floating, foreign currency indexed, and other indexed). In the text, there is much discussion of debt sustainability, which includes data on net non-debt creating capital flows.
Conclusion: a very summary presentation that is largely drawn from the new WEO template (allowing for some slippage in BPM4/BPM5 conversion.)

Peru. The following comments are based on a review of Staff Report for the 2004 Article IV Consultation and the Fourth Review Under the Stand-By Arrangement. The balance of payments table is broadly consistent with the new WEO presentation. The main divergences in the current and capital accounts are (i) credits and debits for services, investment income, and current transfers are shown net; (ii) compensation of employees and related expenditure are probably shown net under workers' remittances; and (iii) capital account credits and debits are shown net. The financial account gives priority to the private/public sector classification. Within the public sector, inward and outward portfolio investment and inward and outward other investment are shown net in a single line. Within the private sector, inward and outward direct investment appears to be shown net and is said to exclude privatization (presumably because this is treated as a reclassification—there is no IIP to throw light on this.) Portfolio and other investments in the private sector are all shown without identification of assets and liabilities, and errors and omissions are shown together with net transactions in other investment assets and liabilities. Exceptional financing entries are consistent with the new WEO presentation. Memorandum items to the balance of payments include gross and net reserves, and public and private external debt on long- and short-term contractual maturity basis. Discussion of external debt sustainability in the text refers to external debt creating capital flows and schedules of debt service payments.
Conclusion: a presentation broadly consistent with the new WEO template but with substantial netting of credits and debits in the current and capital accounts and assets and liabilities in the financial account.

Developing Program Economies

Senegal. The following comments are based on a review of the 2002 Article IV Consultation and Requests for a Three Year Arrangement Under the Poverty Reduction and Growth Facility and for Additional Interim Assistance Under the Enhanced Initiative for Heavily Indebted Poor Countries. The balance of payments table is broadly consistent with the new WEO presentation. The presentation of services and income is very summary: service and income credits are shown as a single line as are debits, but with "of which" items for travel (called tourism but probably not defined differently) and for interest on public sector debt. Following WEO, current transfers are broken down into public and private sectors and the breakdown of capital transfers credits follows the WEO presentation. In the financial account, no distinction is made between inward and outward direct investment or between

assets and liabilities for portfolio and other investment. Disbursement and amortization of public sector debt (with a distinction between program and project loans) is shown separately. The distinction between public and private sector external debt is important because (nearly) all public sector external debt is concessional. Exceptional financing transactions follow WEO guidelines. Transactions by deposit money banks are shown net of assets and liabilities under financing. The presentation of reserves takes account of the fact that Senegal is a member of a currency union—reserves are shown net with net claims on the BCEAO and net use of Fund resources (which are net liabilities of Senegal), shown separately. There is no IIP but memorandum items to the balance of payments include gross reserves, and public and private external debt. In the text, there is some use of *BPM4* concepts (factor and nonfactor services).
Conclusion: *a very summary presentation that is largely drawn from the new WEO template*.

Sri Lanka. The following comments are based on a review of the 2003 Article IV Consultation and First Review under the PRGF and Extended Arrangements. The balance of payments table is broadly consistent with the new WEO presentation. The presentation of services and income is very summary, but credits and debits are shown separately. Following WEO, current transfers are broken down into official and private sectors. Capital transfers are shown net. In the financial account, no distinction is made between inward and outward direct investment or between assets and liabilities for portfolio and other investment. A separate line is shown under direct investment for privatization proceeds (public sector assets acquired by direct investors). Portfolio investment is included under short-term flows. No exceptional financing is reported (although there is in BOPSY.) There is no IIP, but memorandum items to the balance of payments include gross and net reserves, and public and private long- and short-term external debt. In the text, there is discussion of inward workers' remittances and tourism receipts, external debt creating capital flows, and the foreign currency denomination of external debt.
Conclusion: a very summary presentation that is largely drawn from the new WEO template.

Extract from the Revision of the *Balance of Payments Manual*, Fifth Edition (Annotated Outline) on Institutional Sectors

D. Institutional Sectors

60. This section will introduce the principles relating to groupings of institutional units for statistical purposes, based on the principles in the *1993 SNA* Chapter IV (at length) and *MFSM* paras. 80–115 and *GFSM 2001* paras. 2.9–2.10 (both more briefly). While the principles are the same in different economic datasets, it is considered useful to briefly outline them in this manual.

61. The *1993 SNA*/*MFSM* institutional classification will be taken as the basis, following the ECB proposal (in BOPCOM-02/64) to bring the sectoral classification into line with the *1993 SNA*. Table 4.1 shows two alternative presentations for the institutional sector classification.

Table 4.1A. Institutional Sector Classification Option based on *1993 SNA*/*MFSM*

Financial corporations Central bank*1 Other depository corporations Other financial corporations Insurance corporations and pension funds *Mutual funds, unit trusts, and other collective investment schemes* Other financial corporations, except insurance corporations and pension funds, *and mutual funds, etc.* Financial auxiliaries *Holding companies* *Entities for holding and managing wealth*
Nonfinancial corporations
General government
Households
Nonprofit institutions serving households*2
Supplementary sectors for counterpart data: *International organizations* *International financial organizations* *Other international organizations*

Possible additional institutional sector classifications shown in italics; see discussion below.

(This classification is from *MFSM* Box 3.1, without the more detailed breakdowns of nonfinancial corporations and general government. For reconciliation with government finance statistics, there may be interest in providing additional detail for the general government sector. International organizations are not resident sectors but are relevant if data on the sector of the nonresident counterpart are prepared.)

Table 4.1B. Institutional Sector Classification Option based on the *1993 SNA*/*MFSM* classification, rearranged to be compatible with the *BPM5* classification

General government
Central bank[*1]
Other depository corporations
Other sectors Other financial corporations Insurance corporations and pension funds Other financial corporations, except insurance corporations and pension funds Financial auxiliaries Nonfinancial corporations Households Nonprofit institutions serving households[*2]
Additional sectors for counterpart data: *International organizations* *International financial organizations* *Other international organizations*

(This classification uses the same items as Table 4.1A, rearranged to be more compatible with the *BPM5* headings, and would allow the less detailed breakdown to be continued where the full classification was not being adopted.)

[*1] In cases where certain central banking functions are performed wholly or partly outside the central bank, consistent with *MFSM* para. 403, it will be suggested that, if parts of general government undertake central bank functions, consideration be given to compiling accounts for "monetary authorities" that combine the central bank functions or that the monetary authorities' activities outside the central bank be shown as a memorandum item accompanying central bank data.

[*2] May be combined with households.

[Questions: (i) Is the enhancement of compatibility with the SNA/MFSM suitable? Which option is preferred? (ii) Is the MFSM approach to the selective use of a monetary authorities sector suitable?]

A possibility is to use the *1993 SNA* classification for compilation but to use a lesser degree of detail in the standard components. Such a proposal would allow generally insignificant components to be omitted from the standard presentation, while allowing other presentations to be prepared as needed and reconciliation with other datasets to be achieved. For example, it will be recognized that, in practice, households and nonprofit institutions.