IMF COMMITTEE ON BALANCE OF PAYMENTS STATISTICS

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List of Abbreviations

1993 SNA	*System of National Accounts 1993*
AEG	Advisory Expert Group for the review of the *1993 SNA*
BCEAO	Banque Centrale des États de l'Afrique de l'Ouest
BEAC	Banque des États de l'Afrique Centrale
BIS	Bank for International Settlements
BD3	*OECD Benchmark Definition of Foreign Direct Investment,* third edition
BOPSY	*Balance of Payments Statistics Yearbook*
BOPTEG	Balance of Payments Technical Expert Group
BPM5	*Balance of Payments Manual*, fifth edition
CDIS	Coordinated Direct Investment Survey
CPC	Central Product Classification
CPIS	Coordinated Portfolio Investment Survey
CSDB	Centralized Securities Database
CUTEG	Currency Union Technical Expert Group
DITEG	Direct Investment Technical Expert Group
EBOPS	Extended Balance of Payments Classification
ECB	European Central Bank
ECCB	East Caribbean Central Bank
ESA95	*European System of Accounts 1995* (Eurostat)
Esteva Report	*Final Report on the Working Party on the Statistical Discrepancy in World Current Account Balances*
EU	European Union
Eurostat	Statistical Office of the European Communities
G–8	Group of Eight
Godeaux Report	*Final Report of the Working Party on the Measurement of International Capital Flows*
GSDB	Global securities database
IATFFS	Inter-Agency Task Force on Finance Statistics
IIP	International investment position
IMF	International Monetary Fund
ISIN	International Security Identification Number
ISWGNA	Inter-Secretariat Working Group on National Accounts
LCFAR	liabilities constituting foreign authorities' reserves
n.i.e.	not included elsewhere
OFBV	own funds at book value
OECD	Organisation for Economic Cooperation and Development
SEIFiC	Small Economy with International Financial Center
SIMSDI	Survey of the Implementation of Methodological Standards for Direct Investment (IMF-OECD)
SPE	Special Purpose Entity
TSMNP	Technical Sub-group on the Movement of Natural Persons
UNCTAD	United Nations Conference on Trade and Development
UNSD	United Nations Statistical Division
WIIS	OECD Workshop on International Investment Statistics

I. INTRODUCTION

1. The IMF Committee on Balance of Payments Statistics (Committee) was established in 1992 for the following purposes: to oversee the implementation of the recommendations contained in the reports of two IMF working parties that investigated the principal sources of discrepancy in global balance of payments statistics published by the IMF;[1] to advise the IMF on methodological and compilation issues in the context of balance of payments and international investment position statistics; and to foster greater coordination of data collection among countries. The membership of the Committee as of December 31, 2005 and its terms of reference are presented in Appendices I and II, respectively. In 2005, the Committee held its eighteenth meeting in June, at IMF headquarters in Washington, D.C.

2. This report is structured as follows: Section II presents the Executive Summary. Section III provides an overview of statistical discrepancies in the global balance of payments statistics published by the IMF's Statistics Department. Section IV discusses the Committee's work program during 2005, and Section V reviews the issues that the Committee plans to address in the coming year.

II. EXECUTIVE SUMMARY

A. Recent Trends in Global Balance of Payments Discrepancies[2]

3. The statistical discrepancy in the global aggregation of the global current account transactions widened slightly in 2004, compared with 2003. Significant, offsetting, underlying discrepancies remained in subcomponents of the current account. Although the discrepancy on services remained close to balance, the discrepancy on all the services components (*transportation*, *travel*, *government services,* and *other services*) widened. While the total discrepancy on income showed a slight increase from the previous year, it was significantly lower than the discrepancy for the previous five years. However, all the income components (*compensation of employees, reinvested earnings, other direct investment income,* and *portfolio and other investment income)* were at or near record levels.

4. However, another way of looking at the data is to express the global discrepancies in the current account as a percentage of gross recorded transactions. Viewed in this manner, a somewhat different picture emerges. The discrepancy on the current account

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[1] *Final Report on the Working Party on the Statistical Discrepancy in World Current Account Balances* (the so-called *Esteva Report*) (Washington: International Monetary Fund, 1987), and *Final Report of the Working Party on the Measurement of International Capital Flows* (the so-called *Godeaux Report*) (Washington: International Monetary Fund, 1992).

[2] The global data are summations of country statistics reported to the IMF's Statistics Department and published in the 2005 *Balance of Payments Statistics Yearbook (BOPSY)*. The latest year's estimates are particularly subject to revision.

amounted to 0.1 percent of total recorded transactions, the same as the previous year and considerably below the average of the previous decade. The global discrepancy for goods, at 0.3 percent of total transactions in goods, was in line with the average of the previous five years, and while the global discrepancy for services, at 0.3 percent of total transactions in services, was up from 2003, it was lower than the average of the previous four years. For income, the global discrepancy, at 1.9 percent of gross recorded transactions, was at its lowest since the Committee was created in 1992, and was down a full percentage point from the average of the previous seven years.

5. On the other hand, although the global discrepancy for the financial account in 2004 was lower than in any year since 1999, the absolute global discrepancies of three major subcomponents (*direct investment, portfolio investment,* and *other investment*) were all the largest for several years. Unusually, recorded *direct investment* debits (i.e., direct investment abroad) were higher than recorded direct investment credits (i.e., direct investment in the reporting economy), although this may change when revisions are received in 2006 (as happened for the original estimates for 2003 for direct investment when they were revised in 2005).

6. *Portfolio investment* continued to record the largest discrepancy in the financial account in absolute terms in 2004, at $207 billion, almost double the revised level for 2003. However, if the total value of gross cross-border transactions in portfolio investment were available, given its very high level, it is probable that the percentage of the imbalance of that total would be very small. With the exception of 1998, the discrepancies for this series have been consistently positive, that is, the value of net transactions in liabilities has been larger than that for net transactions in assets.

7. For the rest of the financial account, the global discrepancies were quite small in comparison. For *financial derivatives*, the discrepancy doubled from 2003, but remained low. However, as financial derivatives are often recorded on a net basis (that is, transactions in assets are netted against transactions in liabilities) by the compiling economy, the discrepancy in this series should be viewed with caution. For *other investment*, the absolute level of the discrepancy was up substantially from the revised estimate of the previous year, and returned to levels not seen for this series since 1998 and 1999. For *reserve assets minus liabilities constituting foreign authorities' reserves*, the imbalance was somewhat higher than the average for the previous six years.

B. Revision to *Balance of Payments Manual*, Fifth Edition (*BPM5*)

8. The Committee virtually concluded its deliberations on issues for inclusion in the revised *BPM5*, which is scheduled for release at the end of 2008. Most of the issues had been considered by the three technical expert groups (TEGs)[3] set up in 2004 to address in greater depth some of the more complex technical issues involved in the revision process.

[3] Direct Investment Technical Expert Group (DITEG), Currency Union Technical Expert Group (CUTEG), and Balance of Payments Technical Expert Group (BOPTEG). BOPTEG's remit was to consider all the issues that were not covered by the other two TEGS and also to oversee DITEG's and CUTEG's work.

Each group made recommendations (on previously agreed lists of issues) to the Committee, which then made the decisions.[4, 5] The issues discussed by the TEGs, and the outcomes of those discussions, together with the Committee's decisions, can be found on the Committee's website (www.imf.org/bop). The Committee also endorsed the Statistics Department's proposal to set up a fourth TEG, on reserve assets. It will report back to the Committee in 2006.

9. *BPM5* and *System of National Accounts 1993 (1993 SNA)* are being revised simultaneously. The group responsible for the review of the *1993 SNA*, the Inter-Secretariat Working Group on National Accounts (ISWGNA), set up the Advisory Expert Group on National Accounts (AEG), similar in function to the TEGs, to review conceptual issues and make recommendations to the ISWGNA. As the statistical and methodological concepts that underpin the national accounts and the balance of payments are the same, it has been important to keep those involved with each revision process fully informed about the other and to ensure that the decisions that are made by one group are consistent with those made by the other. To that end, representatives from the Statistics Department attended the two AEG meetings during 2005, and the manager and editor of the revised *SNA* attended the Committee's meeting in 2005.

10. The Statistics Department will begin drafting chapters of the new manual early in 2006, based on the Committee's (and the AEG's) decisions. A nearly complete first draft of the manual is expected by the end of 2006. The new manual is scheduled to be released, in electronic form, at the end of 2008, as a final draft, subject only to editing, and, in hard copy during 2009.

C. Direct Investment

11. The Committee discussed the preliminary outcome of the Task Force on the Feasibility of Conducting a Coordinated Direct Investment Survey (CDIS). The Task Force included representatives from the Organisation for Economic Cooperation and Development (OECD), Statistical Office of the European Communities (Eurostat), the European Central Bank (ECB), United Nations Conference on Trade and Development (UNCTAD), and the World Bank, all of which have an interest in direct investment statistics, and all of which have expressed strong support for a CDIS. Six jurisdictions with

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[4] Although the Committee is the final decision-making body for matters relating to the balance of payments and the revision of *BPM5*, it nonetheless takes into account in its deliberations the opinions and decisions that are being made in the revision of the *System of National Accounts 1993* because the concepts underlying the two documents' frameworks are the same.

[5] The OECD is also revising *OECD Benchmark Definition of Foreign Direct Investment*, third edition (*BD3)*. DITEG was jointly chaired by the IMF and a representative for the OECD's Workshop on International Investment Statistics (WIIS), which is the body responsible for preparing the revised *BD3.* The WIIS makes its own decisions on the appropriate methodology for direct investment statistics, but it has been agreed between the WIIS and the Statistics Department that the two methodologies will be the same. Therefore, decisions that relate to the new balance of payments manual's discussion of direct investment will be made separately by both the Committee and the WIIS. Should any conflicts arise, resolution will be achieved before either document is finalized. See the following section on Direct Investment.

major inward and outward direct investment were also involved in the Task Force's deliberations. It is proposed that a CDIS would be modeled on the Coordinated Portfolio Investment Survey (CPIS), in that it would collect positions data, by counterpart country, with a common reference date and common methodological standards.

12. The Task Force approached 89 countries about whether they would consider participating in a CDIS, should a decision be made to proceed with it. The Committee was informed that the responses were overwhelmingly supportive of this initiative. Nearly all the countries indicated they would consider participating in a survey that would collect data on country of first counterpart direct investor (that is, inward direct investment). In addition, about three-quarters of the respondents indicated that they would consider participating in a survey that collected first counterpart country of direct investment enterprises abroad (that is, outward direct investment). It is expected that a final decision on whether to proceed will be taken in 2006.

13. Should a decision be taken to proceed with the CDIS, it is expected that end-December 2009 will be the reference date. This date has been proposed, among other reasons, because it will follow the release of the new balance of payments manual and because the CDIS will use the methodology set out in that document, and because that methodology will be elaborated in the revised version of *BD3*, which is scheduled for release in late 2007 or early 2008. The OECD and the IMF's Statistics Department are working closely to ensure that the documents are completely consistent. Given the earlier release date of the new *BD,* countries that wish to participate will have sufficient lead time to set in place the collection system to conduct a CDIS as of the end of 2009.

D. Remittances

14. At the October 2004 meeting of the Committee, the United Kingdom presented a paper drawing attention to international migrant remittances, and reported progress on a set of actions agreed by the G–8 member countries at their Sea Island meeting in June 2004. The presentation concluded that the balance of payments framework would be central to the G–8 initiative, which the Committee endorsed. In January 2005, a meeting was held to clarify the needs of data users and agree on a strategy towards improving the available data. The meeting was jointly organized by the IMF and World Bank and was attended by around 60 data users and compilers from various countries and international organizations. The meeting participants agreed that balance of payments statistics are the appropriate framework for collecting, reporting, and improving official statistics on remittances; that balance of payments concepts and definitions relating to remittances should be reviewed; and that improved guidance is needed for collecting and compiling remittance statistics, including the use of household surveys.[6] Compilers agreed that it would be useful to form a working group to review methods and, in the medium term, to develop more detailed guidance for compiling remittances data. To that end, the meeting participants decided that

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[6] Further information on the meeting, including all papers and presentations, is available at http://www.worldbank.org/data/remittances.html.

a "City Group"[7] would be the most appropriate means of developing compilation guidance. Eurostat offered to host and jointly organize the first meeting in Luxembourg in mid-2006. While Eurostat and the IMF Statistics Department will jointly plan the group's inception, the commitment of national compilers, as its primary contributors, is a prerequisite for the group's success.

15. Three papers related to the treatment of remittances in the balance of payments were prepared for the Committee by the United Nations Technical Sub-group on Movement of Natural Persons (TSMNP), and were presented by the United Nations Statistics Division (UNSD), as chair of the TSMNP. This latter group has taken a lead role on remittances in light of the overlap in its remit with that of the City Group suggested by the G–8. These papers (i) proposed a definition of personal remittances, (ii) suggested the universe to be covered, and (iii) set out what might be included in a broader concept that would include *institutional* remittances. Final decisions on these issues will be made in 2006. The Committee also decided that *migrants' transfers* are no longer to be treated as a balance of payments transaction.

16. Another useful forum for considering issues related to remittances will be the Center for Latin America Monetary Studies (CEMLA) project to improve central bank remittance reporting and procedures, which is supported by the Multilateral Investment Fund of the Inter-American Development Bank. Technical advice for this work will be provided by an International Advisory Council, including the IMF and World Bank.

17. The Committee endorsed the proposals and encouraged further work. They strongly supported the suggested use of the balance of payments/national accounts framework as the basis for developing statistics on remittances.

E. Portfolio Investment

18. The Committee was brought up to date on the CPIS, and given a presentation on the 2003 results. The ECB also informed the Committee that the centralized securities database (CSDB) became operational in 2005. Further development work will be undertaken to provide data at a sufficient degree of consistency and accuracy, particularly on the issuer's residence and institutional sector (as set out in the *European System of Accounts* (*ESA95*)).

19. Addressing global discrepancies in transactions in portfolio investment was one of the first initiatives of the Committee. As a result of participating in the CPIS, many jurisdictions have improved the manner in which they measure not only their positions outstanding in, but also their transactions in, and the associated income of, portfolio investment. It is probable that the size of the global discrepancy in *portfolio investment*,

[7] "City Groups" have been set up over the last decade or so to undertake research on a variety of issues. Included have been City Groups on services, the environment, prices, capital, and the informal economy. They have tended to be informal groupings, with membership drawn from countries with particular interest or expertise in the subject. They are named after the city in which the first meeting is held.

although large, would be considerably larger in the absence of the CPIS and the associated statistical improvements.

20. Seventy jurisdictions now participate in the CPIS, including most of the major investing countries, together with many small economies with international financial centers (SEIFiCs). Some gaps in the coverage remain, and the Statistics Department continues to assist countries in participating or in improving their coverage. Overall, the willingness of so many countries to participate reflects the benefits that they anticipate will flow from the availability of data on creditor holdings of securities issues. Several countries have agreed to participate on an ongoing basis since the survey became annual in 2001.

21. Early in 2006, the Bank of Spain hosted an international conference on the CPIS, in order to promote the use of the database. Presentations were made by representatives from central banks, private financial organizations, and international organizations on how the data have been used on various research projects. In addition, a round table discussion addressed the limitations of and potential improvements to the CPIS, together with other avenues for its use.

F. The Heavily Indebted Poor Countries (HIPC) and Concessional Debt

22. The Committee considered a paper from the Statistics Department on the statistical treatment of transactions and positions between residents and nonresidents arising from the HIPC Initiative. As the HIPC Initiative was launched well after the publication of *BPM5*, there has been concern among compilers that the current *BPM5* framework does not adequately address some of the HIPC debt-related transactions. The paper set out several of the major conceptual issues, and the associated treatment for each. The Committee decided that any methodological guidance agreed with regard to HIPC transactions should be consistent with the core principles and concepts in the balance of payments.

23. The IMF agreed to present a paper on the HIPC transactions to the AEG meeting in January 2006 that included the Committee's decisions. This paper was circulated to the Committee prior to submission to the AEG.

24. Related to the HIPC Initiative is the question of the statistical treatment of concessional debt. In this regard, the Committee was presented with a paper by the Statistics Department that set out several options for the treatments. Differing views were expressed on possible treatment of transfers arising from interest rate concessionality on debt. The Committee decided that there was insufficient consensus to include transfers in the core accounts but agreed to include a supplementary item. It was decided that the Statistics Department should consider further whether the supplementary item should be treated as an ongoing current transfer for its interest payable/receivable for the life of the loan or as a capital transfer at the time the funds are lent.

G. Unmet Needs of Fund Users for Balance of Payments Statistics: Proposals for the Revision of *BPM5*

25. The Committee considered a paper by the Statistics Department on how the new balance of payments manual is addressing unmet needs of the other departments of the IMF. Many of the areas where *BPM5* currently does not meet IMF user needs will be addressed in the new manual. These include: more sector detail, including a public-private split; debt maturity on a remaining, as well as an original, basis; information on foreign currency denominated or linked debt; the identification (using national definitions, pending the development of an internationally agreed definition) of special purpose entities (SPEs) in economies where they are significant; and a breakdown by type of financial derivatives, on a supplementary basis. Additionally, and of particular importance, was the manner in which the data prepared for the international investment position (IIP) will be reported so that they can be used in conjunction with sector balance sheets in the national accounts to support the balance sheet approach to vulnerability analysis.

H. Other Issues

26. The Committee also received papers on:

(i) reports by the Technical Subgroup of the Interagency Coordination Group on Tourism Statistics on (a) the linkages between the balance of payments and a tourism satellite account, and (b) the implications for the revision of *BPM5* and the *1993 SNA* of the Subgroup's decision on travel;

(ii) a report by the Task Force on Statistics on International Trade in Services on changes to the classification of services;

(iii) a report by UNSD on the revision of the Central Product Classification (CPC) and its relationship to the Extended Balance of Payments Classification (EBOPS);

(iv) a report by the Bank for International Settlements (BIS) on developments in international financial statistics;

(v) a paper from the AEG on extending the asset boundary to include certain elements of research and development; and

(vi) a report from the United Kingdom on current account asymmetries in its data with the European Union.

III. Recent Trends in Global Balance of Payments Discrepancies

27. Initial estimates of the discrepancies in the global balance of payments showed a slight widening of the current account but a modest narrowing for the financial account in 2004, compared with the revised data for 2003 (Tables 1 and 2). However, significant discrepancies remained in many of the subcomponents of both the current and financial accounts.

28. In principle, the combined surpluses and deficits (for the current, capital, and financial accounts) for all countries and international organizations should sum to zero, as the credits of one country or international organization are the debits of another. In practice, however, as a result of measurement differences, the data do not offset one another. Discrepancies occur in global statistics, reflecting incomplete coverage of transactions, inaccurate or inconsistent recording by the compiling countries (or the reporters), and different classification or timing of transactions. Moreover, many errors and omissions may offset each other, so that the data in Tables 1 and 2 may not capture the full extent of mismatches. On the other hand, because transactions in the financial account are recorded on a "net:gross" basis (that is, sales and purchases of assets are netted against each other, as are transactions in liabilities, but transactions in assets are not netted against transactions in liabilities), the actual volume of cross-border transactions in such categories as portfolio investment and other investment is much larger than the values shown in Table 2.[8]

[8] Data on "gross:gross" transactions for the financial account (that is, the recording of all transactions in the financial account on the same basis as the current account) are not compiled under *BPM5*.

Table 1. Global Balances on Current Account, 1998–2004
(In billions of U.S. dollars)

	1998	1999	2000	2001	2002	2003	2004	Average Imbalances 1998–2004
Current account balance	−62.3	−100.7	−136.2	−136.2	−111.7	−22.1	−27.4	−85.2
Goods balance	67.9	39.8	10.9	−1.0	34.6	62.2	53.4	38.2
Credit	5,452.9	5,652.7	6,371.4	6,115.0	6,394.5	7,458.0	9,042.8	...
Debit	5,385.1	5,613.0	6,360.5	6,116.0	6,360.0	7,395.8	8,989.5	...
Services balance	−0.4	−13.0	−18.1	−26.0	−16.2	−2.6	12.5	−9.1
Credit	1,390.6	1,437.3	1,522.7	1,525.8	1,639.2	1,884.6	2,234.8	...
Debit	1,391.0	1,450.3	1,540.8	1,551.7	1,655.5	1,887.2	2,222.3	...
Transportation	−52.2	−52.9	−70.9	−66.6	−59.1	−74.3	−84.3	−65.8
Travel	27.3	25.9	29.7	25.5	29.0	31.8	40.6	30.0
Government services, n.i.e.	−8.2	−17.9	−25.0	−26.1	−33.5	−35.2	−39.2	−26.4
Other services	32.6	31.9	48.1	41.2	47.4	75.0	95.4	53.1
Income balance	−93.3	−91.0	−83.5	−80.8	−105.2	−63.0	−68.6	−83.6
Credit	1,205.7	1,260.7	1,434.8	1,326.2	1,252.8	1,446.9	1,746.6	...
Debit	1,299.0	1,351.6	1,518.3	1,407.0	1,358.1	1,509.9	1,815.3	...
Compensation of employees	−0.1	−0.1	−1.7	−3.3	−2.7	−7.0	−7.3	−3.2
Reinvested earnings	36.8	85.9	67.7	101.9	60.2	105.8	115.5	82.0
Other direct investment income	−2.1	−43.4	−41.4	−48.1	−28.3	−46.1	−46.9	−36.6
Portfolio and other investment income	−127.9	−133.4	−108.1	−131.3	−134.4	−115.7	−130.0	−125.8
Current transfers balance	−36.4	−36.5	−45.5	−28.4	−24.8	−18.6	−24.5	−30.7
Credit	369.4	376.6	361.1	383.2	428.8	509.6	578.9	...
Debit	405.8	413.1	406.6	411.7	453.6	528.3	603.4	...
Memorandum items								
Current account balance as percent of gross current account transactions	0.4	0.6	0.7	0.7	0.6	0.1	0.1	0.4
Goods balance as percent of gross goods transactions	0.6	0.4	0.1	0.0	0.3	0.4	0.3	0.3
Services balance as percent of gross services transactions	0.0	0.4	0.6	0.8	0.5	0.1	0.3	0.4
Income balance as percent of gross income transactions	3.7	3.5	2.8	3.0	4.0	2.1	1.9	3.0
Current transfers balance as percent of gross current transfer transactions	4.7	4.6	5.9	3.6	2.8	1.8	2.1	3.6
Capital account balance as a percentage of gross capital account transactions	13.7	15.4	11.4	4.4	12.2	8.1	0.4	9.4

Source: *Balance of Payments Statistics Yearbook*, Volume 56, Part 2 (Washington: International Monetary Fund, 2005).

Table 2. Global Balances on Capital and Financial Accounts, 1998–2004
(In billions of U.S. dollars)

	1998	1999	2000	2001	2002	2003	2004	Absolute Average Imbalance 1998–2004
Capital account balance	−14.5	−17.7	14.4	−4.8	−15.5	−11.1	0.6	11.1
Credit	45.5	48.4	70.2	51.4	55.8	63.1	68.5	...
Debit	60.0	66.1	55.8	56.1	71.2	74.2	67.9	...
Financial account balance	4.9	33.5	236.7	158.3	165.9	113.0	−94.7	115.3
Direct investment	11.1	4.8	186.0	82.0	71.8	7.5	−129.7	70.4
Abroad	−683.5	−1,097.1	−1,334.9	−719.9	−659.6	−618.2	−807.2	...
In the reporting economy	694.6	1,101.9	1,520.9	801.9	731.3	625.7	677.5	...
Portfolio investment	−203.6	141.3	74.9	40.2	160.9	107.7	207.4	133.9
Assets	−1,053.3	−1,368.8	−1,307.7	−1,205.4	−741.0	−1,461.3	−1,743.1	...
Liabilities excluding LCFAR 1/	849.6	1,510.2	1,382.5	1,245.6	901.9	1,569.0	1,950.5	...
Liabilities including LCFAR	929.3	1,605.6	1,511.6	1,312.3	1,074.7	1,799.4	2,335.8	...
LCFAR in Portfolio investment 2/	−79.7	−95.4	−129.1	−66.7	−172.8	−230.4	−385.3	...
Financial Derivatives	−13.0	15.5	−15.7	7.0	−9.8	−6.4	−12.3	11.4
Assets	186.9	195.4	228.5	236.8	201.3	260.0	274.4	...
Liabilities	−199.8	−179.9	−244.1	−229.8	−211.2	−266.4	−286.6	...
Other investment	222.3	−115.2	44.7	64.2	−29.2	24.4	−118.4	88.3
Assets	−342.0	−535.7	−1,278.4	−731.5	−693.8	−1,040.2	−2,218.3	...
Liabilities excluding LCFAR 1/	564.4	420.5	1,323.1	795.7	664.6	1,064.6	2,099.9	...
Liabilities including LCFAR	515.0	463.3	1,314.4	847.9	728.1	1,308.1	2,299.1	...
LCFAR in Other Investment 2/	49.4	−42.8	8.7	−52.3	−63.5	−243.5	−199.2	...
Reserves plus LCFAR	−12.0	−13.0	−53.2	−35.1	−27.7	−20.2	−41.8	29.0
Reserves	−42.3	−151.3	−173.5	−154.1	−264.0	−494.1	−626.3	...
LCFAR	30.3	138.3	120.4	119.0	236.2	473.9	584.5	...
Net errors and omissions	71.8	84.9	−115.0	−17.3	−38.8	−79.7	121.6	75.6

Source: *Balance of Payments Statistics Yearbook*, Volume 56, Part 2 (Washington: International Monetary Fund, 2005).

Note: In the financial account, a negative sign indicates an excess of recorded outflows; the absence of a sign in the balances indicates an excess of recorded inflows over outflows.

1/ Liabilities constituting foreign authorities' reserves. The data in LCFAR were derived from information collected by the IMF from a sample of large reserve-holding countries. These data were used to adjust portfolio and other investment liabilities to align the data better with corresponding assets series.

2/ Table 2 also includes the global balance on net errors and omissions.

A. Global Current Account

29. Although the level of the discrepancy in the current account in 2004 increased $5 billion from that in 2003, at negative $27 billion,[9] it was substantially lower than the absolute average of the years 1998 to 2003. However, the aggregate masks some larger discrepancies in the subcomponents, which tend to offset each other. While the discrepancy on goods, at positive $53 billion, was down somewhat from the previous year's level of $62 billion, it was substantially higher than the level of the previous four years. Equally, despite the imbalance on services being close to balance (as it generally is), the subaggregates showed large, and growing, discrepancies, in value terms: the discrepancy on *transportation*, *travel, government services, n.i.e.,* and *other services* were all records, negative $84 billion, positive $40 billion, negative $39 billion, and positive $95 billion, respectively. On the other hand, the global discrepancy for *income*, although rising somewhat from the level in 2003, remained substantially below the discrepancy of the previous five years, for, although the discrepancy for two components of *income* (*reinvested earnings* and *portfolio and other investment income*) saw increases, they were largely offsetting. The imbalance on *reinvested earnings* reached a new record at positive $115 billion, and the discrepancy on *portfolio and other investment income* rose to negative $130 billion, from $116 billion in 2003. The discrepancy for *other direct investment income,* at negative $47 billion, is in line with that of four of the previous five years. At negative $24 billion, the discrepancy in *current transfers* was somewhat lower than the seven-year average.

30. Another way of looking at the data is to express the discrepancy as a percentage of total transactions. Viewed in this manner, a somewhat different picture appears, as can be seen from the memorandum items to Table 1. The imbalance on the current account amounted to 0.1 percent, the same as for 2003, but lower than the seven-year average of 0.4 percent. The discrepancy for both goods and services amounted to 0.3 percent of their respective total transactions, in line with their seven-year averages. For *income*, the imbalance was 1.9 percent, its lowest level on record, and substantially lower than the seven-year average of 3.0 percent. On the other hand, although the imbalance in current transfers was up slightly from the previous year, at 2.1 percent of total recorded transactions, it remained well below the seven-year average of 3.6 percent.

B. Global Capital and Financial Accounts

31. The statistical discrepancy in the capital account virtually disappeared in 2004.

32. For the financial account, the aggregate discrepancy, at negative $95 billion in 2004, represented a swing of over $200 billion from 2003, when the imbalance was recorded at positive $113 billion. The main reasons for this change were swings in the discrepancies for both direct investment and other investment. The negative imbalance for direct investment was the first recorded, reaching $130 billion, from a position of close to

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[9] A negative imbalance indicates that more debits were recorded than credits.

balance in the year before. The discrepancy for other investment amounted to negative $118 billion, a swing of $143 billion from 2003, making the imbalance the largest since 1998. The 2004 discrepancy for direct investment was also the first negative imbalance for direct investment since 1995—that is, recorded transactions for direct investment abroad were higher than recorded transactions for direct investment in the reporting economy.

33. Direct investment flows can be divided into two components: reinvested earnings, and other direct investment transactions. The imbalance on reinvested earnings (which, with the sign reversed is the same as reinvested earnings listed under "income balance" in Table 1) reached negative $115 billion in 2004. If reinvested earnings are removed from direct investment flows, the discrepancy would be close to zero.

34. The swings into negative discrepancy for direct investment and other investment were offset somewhat by a substantial increase in the positive imbalance in portfolio investment, which saw its discrepancy jump $100 billion, to $207 billion. However, if data on the total value of gross cross-border transactions in portfolio investment were available, it is probable that the imbalance would be a very small percentage of that total.

35. With the exception of 1998, the discrepancy for portfolio investment has been consistently positive—that is, the value of net transactions in liabilities have been larger than those in net assets. This bias in the data was examined by the *Godeaux Report,* which analyzed discrepancies in the (then) capital (now financial) account. That report gave rise to both the Committee and the CPIS. The CPIS (which is discussed more fully below) is now in its fourth year as an annual survey and it is expected that, as the improved statistical standards and coverage that are associated with it have an effect, these benefits will translate into improved transactions data.

36. For the rest of the financial account, the discrepancies were quite small in comparison. For *financial derivatives*, the discrepancy was negative $12 billion in 2004, a small increase from the previous year. However, as financial derivatives are often recorded on a net:net basis by the compiling economy (that is, transactions in assets are netted against transactions in liabilities), the discrepancy in this series should be viewed with caution. For *reserve assets plus liabilities constituting foreign authorities' reserves*, the imbalance was negative $42 billion, somewhat above the average for the last seven years of negative $29 billion.

C. Revisions

37. Revisions to prior years have had a mixed effect on the current and financial account discrepancies: there was little impact on the capital account, but a significant increase in the imbalance in the financial account. Revisions are a normal part of the process of producing statistics: they can result from a refinement of an earlier estimate (which may have been based on limited information), the receipt of more complete estimates (for example, from customs or other administrative sources), through changes in methodology, or correction of any errors. The Statistics Department encourages compilers

to review revisions to assess whether they indicate systematic biases in preliminary estimates that can be addressed through standard estimation techniques.

38. For the revisions of the global current account, the absolute average discrepancy for the six years 1998 to 2003 made little difference, as the global discrepancy was changed upwards from $92 billion to $95 billion. While the revisions lowered the current account discrepancy in 2003 by $15 billion, for each of the other five years, the net effect of the revisions was to increase modestly the global current account imbalance. Most of the larger changes were in 2002 and 2003, as would be expected, as many countries do not revise their data back more than two years, unless there is a major methodological change. The larger changes in services in 2002 and 2003 tended to offset each other. The principal contributing factors to the revision to the current account discrepancy in 2003 were increases in the negative discrepancy for income and current transfers, offset in part by smaller increases in the positive discrepancy for goods and services.

39. In the financial account, the absolute average discrepancy for the years 1998 to 2003 rose slightly, by $3 billion. The largest changes were in 2003, when the imbalance for the financial account rose from $44 billion to $113 billion, mostly the result of revisions to direct investment, portfolio investment, and other investment. The revisions in these three components each moved the discrepancy for the category closer to zero, but the net effect was to increase the imbalance for the financial account as a whole. The revisions changed the imbalance for direct investment from a negative $61 billion to a positive $7 billion, for portfolio investment from a positive $180 billion to a positive $108 billion, and for other investment from negative $38 billion to positive $24 billion. For 2002, revisions to portfolio investment, resulting in a fall in the imbalance for that component from a positive $202 billion to a positive $161 billion, were the principal reasons for the total imbalance in the financial account in that year falling from $189 billion to $166 billion. The other series saw relatively minor changes.

IV. WORK PROGRAM UNDERTAKEN BY THE COMMITTEE IN 2005

40. The work undertaken by the Committee in 2005 reflected the priorities established in the medium-term work program at the end of 2004. Top priority was given to updating the *BPM5*. Much of the Committee meeting, in Washington, in June 2005, was taken up with issues regarding this work. The feasibility of conducting a CDIS was also given top priority. Remittances and reserve assets were high-priority topics. The Committee examined other issues, including portfolio investment (notably, the CPIS results for 2003 and progress on the ECB's CSDB); international trade in services, with reports from several interagency groups, and a study from the United Kingdom on asymmetries in services with other members of the European Union; a report from the Inter-Agency Task Force on Finance Statistics (IATFFS) on external debt and the IIP; and a report from the BIS on use and improvements in international financial statistics.

A. Revision to *BPM5*

41. At its 2005 meeting, the Committee concluded its consideration of most of the remaining issues for updating *BPM5*. Many of the issues before the Committee were recommendations by one or more of the three TEGs that had been set up in 2004 to address some of the more complex technical issues in greater depth. (See Boxes 1 and 2 for the Committee's major decisions on these recommendations: Box 1 covers the decisions taken at the Committee's meeting in 2005 and Box 2 covers the Committee's decisions taken at its meeting in 2003 and 2004.) These TEGs are: the Direct Investment Technical Expert Group (DITEG), the Currency Union Technical Expert Group (CUTEG), and the Balance of Payments Technical Expert Group (BOPTEG), which was set up to address issues not covered by the other two groups. BOPTEG also had an oversight role for the work undertaken in the other two TEGs. Box 3 shows the membership of these TEGS.

42. DITEG held three meetings, two in 2004 and one in 2005. It has concluded its work and it has been dissolved. BOPTEG and CUTEG each held two meetings, all in 2004. They have suspended their meetings, following their last meetings in December 2004, but they will continue to operate electronically, and they may meet again, if needed. BOPTEG will play an important role in reviewing draft chapters of the new manual.

43. The Committee endorsed a proposal by the Statistics Department to create a TEG for reserve assets (RESTEG). This is a very important, and highly specialized, topic. A different constituency from those which were involved in the other TEGs—including reserve managers and users of data on reserve assets, as well as balance of payments compilers—have been approached in order to ensure that the group has the right level of technical expertise to address the issues comprehensively.

Box 1. Major Decisions Taken by the Committee, at its Meeting in 2005, Regarding the Revision of the *BPM5* [1]

1. Migrants' transfers: The Committee decided to adopt the proposal that cross-border movement of personal effects not be recorded as a transaction and that the reclassification of assets and liabilities arising from a change of residence would be treated as "other changes."

2. Technical assistance: The Committee decided to treat provision of technical assistance as supply of services by the donor to the recipient, funded by a transfer.

3. Debt instruments indexed to a foreign currency: The Committee decided that debt instruments with both principal and coupons indexed to a foreign currency should be classified and treated as being denominated in that foreign currency.

4. Interest and index-linked debt instruments: The Committee supported the existing *1993 SNA* treatment of interest on index-linked instruments. The AEG recommended that the existing treatment be used for broadly based indexes, but the "modified debtor approach" be used for instruments indexed to a specific commodity or narrowly based index.

5. Reinvested earnings: The Committee decided to continue the present practice for reinvested earnings. However, as the Committee felt that the concept of "income" in the national accounts and balance of payments frameworks is not well defined or treated consistently, an expert group is to be established. This expert group would not be expected to complete its work before the deadline for consideration of issues for the update of the *1993 SNA* and the revision to *BPM5*, and so its work would form part of the research agenda beyond those deadlines. The Committee emphasized the importance of including national accountants and financial statisticians in such a group.

6. Retained earnings of mutual funds: The Committee decided that if the AEG were to recommend the adoption of the *ESA95* approach (that is, to impute a transaction of the retained earnings from the fund to the investor in the current account, with an offsetting imputed reinvestment in the financial account, in a manner analogous to reinvested earnings), the new manual would follow suit; if not, the status quo would apply. The AEG recommended the adoption of the *ESA95* approach.

7. Financial gold: The Committee decided to treat unallocated gold accounts as financial assets (equivalent to assets denominated in a foreign currency), and allocated gold accounts as the commodity gold. The Committee also agreed that the treatment of unallocated gold accounts could be extended to other unallocated metal accounts. The Committee decided that further work is necessary to determine to which instrument unallocated gold accounts should be assigned.

8. Fee on securities lending and gold lending: The Committee decided to treat the fee on securities lending as property income. The Committee decided to treat the fee on gold lending as a service if the gold were lent from allocated gold, and as property income if it were lent from a financial asset (unallocated gold or monetary gold).

9. Guarantees: The Committee concluded that it was premature to recognize guarantees before their activation because the implications of expanding the asset boundary to contingencies were wide and had not yet been explored beyond the public sector. The Committee considered that the preliminary AEG position on the treatment of flows arising from the activation of a guarantee as capital transfers in all cases is not appropriate. The Committee's preference is, firstly, to treat the activation of guarantees as "other changes" entries in all cases; or, failing that, on a case-by-case basis to classify items as a capital transfer, financial claim, or "other changes," according to criteria to be specified. The AEG recommended that standardized guarantees be treated like insurance, while one-off guarantees be recognized on activation as a capital transfer or acquisition of a claim on the debtor.

10. Instrument classification: The Committee supported the broad outline of the classification for equity, debt, and other items. The Committee supported inclusion of the proposed additional items on a supplementary basis.

11. Valuation of direct investment equity: The Committee decided that there should be a split between quoted and unquoted equity on a supplementary basis. The Committee reaffirmed the market price principle for valuing direct investment equity and gave general endorsement to the various proxies to market prices.

12. Reverse investment and directional principle: The Committee decided direct investment positions, transactions and income should be recorded on a gross basis, rather than including reverse investment flows and positions on a net basis in direct investment abroad and in the reporting economy.

13. Permanent debt: Although there are good conceptual reasons for retaining permanent debt between affiliated financial enterprises as part of direct investment, the Committee decided that, on practical grounds, all debt between affiliated financial institutions (except between affiliated insurance corporations and pension funds) should be excluded from direct investment.

14. Land and buildings leased by nonresidents: The Committee decided that, where an effective change of ownership takes place (comparable to a finance lease) that a notional resident entity be created, in the same manner as with an outright purchase of land and buildings, and other natural resources; and that such an acquisition by a notional entity represents an equity investment.

15. Holding companies: The Committee noted that holding companies should be treated as financial enterprises in all cases, but that, for direct investment purposes, holding companies may be classified to the predominant activity of the "local group."

16. SPEs and non-financial direct investment enterprises: The Committee agreed that users' requests concerning more information on SPEs should be provided using the BOP/IIP framework, noting that no single solution to SPE operations would be appropriate in all cases. The Committee accepted the proposal that, for supplementary presentation, countries may wish to identify separately SPEs, using the national definition, until such time that an internationally accepted set of criteria can be developed.

17. Instrument and maturity split: The Committee decided that an instrument breakdown of direct investment that is consistent with the SNA instrument breakdown, and a maturity split, should be included in the supplementary items, with compilation priority being given to the instrument split.

18. Mutual funds: The Committee decided to treat investment in and investment by, hedge funds, private investment funds, and distressed funds as direct investment if the standard 10 percent threshold is met. Regarding the treatment of retail mutual funds and master/feeder funds, the Committee reached no conclusion, noting that it is necessary to have a definition in order to apply an exception and that further work needed to be done on this issue, in conjunction with other groups (such as the OECD's Working Party on Financial Statistics) that may be examining this topic.

19. Reserve assets: The Committee decided to create a technical expert group (RESTEG) to consider the reserve assets issues raised in the IMF paper (BOPCOM 5/70).

20. Travel and the classification of services: The Committee decided to retain the present title of the travel item and endorsed the proposed clarifications with regard to the definition and scope of the item. The Committee agreed to introduce a supplementary presentation on tourism in the new manual that presents data on tourism by combining the travel and passenger transportation items. On expenditure by military personnel and civil servants employed in government enclaves abroad, the Committee's preference was to include them under the relevant goods and non-travel services categories, or failing specific identification, to government services n.i.e., as now, rather than in *travel*, as proposed.

21. Remittances: The Committee decided to introduce: (i) the concept of "personal transfers" as a standard component, with "remittances of employees" included as a supplementary component; (ii) the concept of "personal remittances"; (iii) the concept of "institutional remittances." In addition, the Committee decided that the concept of migrant was no longer needed in the new balance of payments manual for remittances as remittances should be based on residence, not migration status.

[1] The issues papers, which describe the issues in greater depth, and the outcome papers, outlining the reasoning for the TEGs' recommendations, can be found on the Committee's website (http://www.imf.org/bop).

Box 2. Major Decisions Taken by the Committee, at its Meetings in 2003 and 2004, Regarding the Revision of the *BPM5* [1]

1. IIP and Other Changes Account: The Committee decided to place increased emphasis on the IIP and Other Changes in Financial Assets and Liabilities Account in the new manual.

2. Residence: The Committee decided to adopt the term "predominant" center of economic interest, and to clarify the treatment of branches and entities without a physical presence (such as SPEs, trusts, holding companies). The Committee decided to retain the present treatment of students, patients, and crews.

3. Output of financial enterprises: The Committee decided to adopt the new treatment for the measurement of output of other depository corporations and insurance companies, in light of resolution of issues by OECD task forces.

4. Employee stock options: The Committee decided to adopt within a category of financial derivatives and employee stock options.

5. Institutional sectors: The Committee decided to include all the SNA institutional sectors in the new manual, but that the presentation should be done in such a fashion as to ease the transition from the four sectors shown in *BPM5*. The Committee also decided that additional subsectors may be prepared on a supplementary basis, with particular emphasis on mutual funds.

6. Loan valuation: The Committee decided that loans (both assets and liabilities) should be recorded at nominal value in the IIP, with a memorandum item for the creditor, showing the likely realizable value.

7. Change in economic ownership: The Committee decided to adopt the concept of "change in economic ownership" (instead of "change of ownership") as better reflecting the nature of transactions that are recorded in the balance of payments.

8. Multiterritory enterprises: The Committee decided that the current treatment in *BPM5* be generalized to all enterprises where identification of separate units in different economies is not possible. For joint sovereignty zones, the Committee agreed that guidance should be provided in the new manual, but flexibility should be allowed.

9. SPEs: The Committee decided that SPEs are to be recognized as separate institutional units in the economy in which they are incorporated. As there is no international definition for SPEs, the Committee agreed that compilers may wish to present supplementary data, using national definitions, where these entities are important.

10. Classification of services: The Committee decided that (i) *goods for repair* should be reclassified from goods to services; (ii) additional detail on *travel* should be included on a supplementary basis; (iii) *communication* and *computing services* should be combined, provided that *postal and courier services* is classified separately; (iv) *construction services* should be shown with an additional split, to identify construction services abroad separately from construction services in the compiling economy; (v) the treatment of *financial services* should be harmonized, in line with developments at the OECD and the AEG, to the extent possible; (vi) international passenger services should remain in *transportation services*; and (vii) use of a residual category for services transactions between related enterprises should be avoided.

11. Valuation of direct investment equity: The Committee decided that market price should be the preferred valuation principle for direct investment equity, and that that principle should be given greater emphasis than it received in *BPM5*.

12. Treatment of insurance catastrophic claims: The Committee decided to treat catastrophic insurance claims as *capital transfers*, in line with the AEG's decision.

13. Fully Consolidated System (FCS): The Committee decided the FCS represents the ideal concept of indirect direct investment relationships but noted that it should be explained more fully in the new balance of payments manual.[3]

14. Ten percent equity threshold for direct investment: The Committee decided to retain the 10 percent threshold of equity holding to establish a direct investment relationship.

15. Headings and signs: The Committee decided that the presentation of the headings in the financial and other changes in financial assets and liabilities accounts should be *changes in assets* and *changes to liabilities* to bring them into line with the IIP and the SNA.

[1] The issues papers, describing the issues in greater depth, and the outcome papers, outlining the reasoning for the TEGs' recommendations, can be found on the Committee's web page (http://www.imf.org/external/bopage/bopindex.htm).

[2] The Committee also agreed that the broader issue of risk transfer should be referred to the Task Force on the Harmonization of Public Sector Statistics.

[3] The Committee will reconsider the different approaches to measurement of indirect direct investment relationships at its meeting in 2005, following further work by DITEG.

Box 3: Countries and International Organizations that Have Provided Members to the Technical Expert Groups Set Up by the Committee to Assist It in Its Deliberations on the Revision of *BPM5*

1. Balance of Payments Technical Expert Group (BOPTEG)

Australia	Thailand
Chile	United Kingdom
China, PR	United States
Estonia	BCEAO
Germany	BIS
Japan	ECB
Jordan	Eurostat
Namibia	IMF (chair)
The Netherlands	OECD
Poland	

2. Direct Investment Technical Expert Group (DITEG)*

Australia	South Africa
Belgium	Tunisia
Colombia	United Kingdom
Canada	United States (co-chair)
France	ECB
Hong Kong SAR	Eurostat
Japan	IMF (co-chair)
Netherlands	OECD
Russian Federation	UNCTAD

* DITEG was set up jointly with the OECD.

3. Currency Union Technical Expert Group (CUTEG)

Belarus	ECCB
Czech Republic	ECB (deputy chair)
Italy	Eurostat
Saudi Arabia	IMF (chair)
BCEAO	West African Monetary Institute
BEAC	

44. The manager and editor of the new SNA brought the Committee up to date on the revision process for the *1993 SNA*. The body responsible for the updating, the ISWGNA,[10] created an Advisory Expert Group on National Accounts (AEG), with a similar remit to the roles of the technical expert groups for the balance of payments revision, that is, the AEG will examine proposed changes and make recommendations which will then be considered by the ISWGNA. The IMF's Statistics Department is represented on both the ISWGNA and the AEG, which permits ready coordination of the two revision efforts. Of the 44 issues being considered by the AEG,[11] many do not have a strong (or any) bearing on the balance of payments or the IIP. On the other hand, many of the issues that the Committee has considered for the revision to *BPM5* affect the SNA and the Statistics Department has prepared many papers for the AEG, following the Committee's deliberations. In order for the revised balance of payments manual and the revised SNA to be prepared at the same time and to be as consistent as possible, the AEG considered many of these issues at its meeting in July 2005. The remaining issues that the AEG did not consider at that meeting were carried forward to its fourth meeting, in January 2006.

45. The drafting of the revised balance of payments manual will commence early in 2006, and a first draft is expected to be considered by the Committee at its meeting in October 2006. The new manual is scheduled to be released in electronic form by the end of 2008 as a final draft, subject only to editing, and in hard copy in 2009. The revised *1993 SNA* is expected to be released in 2008.

46. The Committee was also advised on progress on the review and changes to several other statistical systems that are related to balance of payments statistics and the IIP and which are being undertaken in tandem. These included the *Manual on Statistics of International Trade in Services,*[12] the *Central Product Classification,*[13] and the *Tourism Satellite Account Recommended Methodological Framework.*[14] The expectation is that these documents will be consistent, to the maximum extent possible, with the new balance of payments manual.

47. Another important activity affecting the revision of *BPM5* is revision of the *OECD Benchmark Definition of Foreign Direct Investment*, third edition (*BD3*). The conceptual bases of direct investment in the new balance of payments manual and *BD3* are the same. *BD3* elaborates on many of the direct investment issues discussed in the balance of

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[10] The ISWGNA comprises the five international organizations that were responsible for preparing the *1993 SNA*. These organizations are: Eurostat, OECD, United Nations, World Bank, and IMF.

[11] Issues papers for consideration by the AEG, together with their outcome papers, can be found the United Nations website: http://unstats.un.org/unsd/nationalaccount/snarev1.asp.

[12] Published by the European Commission, IMF, OECD, United Nations, UNCTAD, and World Tourism Organization.

[13] Published by the United Nations.

[14] Published by the European Commission, OECD, United Nations, and World Tourism Organization.

payments manual and it is therefore important that the new BD and the new BPM be fully consistent (at present, there are minor differences between *BD3* and *BPM5*). The revision to *BD3* has begun, now that DITEG has completed its work, and the OECD's Workshop on International Investment Statistics (WIIS), which has responsibility for the new BD, has considered DITEG's recommendations. The new BD is scheduled to be released toward the end of 2007 or early in 2008.

B. Direct Investment

48. The Committee was brought up-to-date on the work of the Task Force on the Feasibility of Conducting a Coordinated Direct Investment Survey. The Task Force had been set up in 2004, following the Committee's endorsement, at its meeting in 2003, of the proposal by the Statistics Department to the IMF's Executive Board to undertake a feasibility study as a possible precursor to a CDIS. Such a survey would build on the successes of the CPIS and the Survey on the Implementation of the Methodological Standards for Direct Investment (SIMSDI).[15] The Statistics Department had advised the Executive Board of the potential value of a CDIS, in the light of the key importance of direct investment data and the inconsistencies in the existing data. It also advised the Board of the complexities of such an undertaking. The Statistics Department had indicated the importance of conducting a feasibility study before embarking on a much more ambitious exercise than either the CPIS or the SIMSDI. In addition to the IMF, the Task Force comprised the ECB, Eurostat, OECD, UNCTAD, and the World Bank, all of which have a strong interest in direct investment statistics. In addition, six major investing countries (Australia, Belgium, Hong Kong SAR, South Africa, the United Kingdom, and the United States) also participated in the Task Force's work. The Task Force felt that the primary focus of a CDIS should be on obtaining positions data on inward direct investment, by counterpart country, broken down between equity and other claims (in line with the information obtained on portfolio investment collected through the CPIS).

49. In view of the complexity of direct investment relationships and the difficulties involved in applying consistent valuation principles (given that most direct investment entities are not listed on stock exchanges), as well as the problems involved in coordinating a large survey of this nature, the Task Force felt that the reference date for the survey should be end-2009. The Task Force felt that a reference date of end-2009 has many advantages, including that the revised standards on direct investment will be in the revised balance of payments manual and in the revised *BD3*; and 2009 coincides with the United States benchmark survey on outward direct investment. There are clear synergies and analytical benefits from conducting a CDIS at the same time that the largest direct

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[15] SIMSDI was a survey to compare the practices regarding the measurement of direct investment with the internationally accepted standards. A pilot survey was conducted in relation to practices in 1997, and then two full surveys were undertaken, one in regard to 2001 and the other in regard to 2003. The survey was undertaken under the aegis of the IMF and OECD. The results of the 2001 survey and most of the responses for 2003 are available on the IMF's website (www.imf.org). The results for the OECD members for both years are also available on the OECD's website (www.oecd.org).

investing country undertakes such a survey, particularly that asset data from the United States could be compared, on a bilateral basis, with the data for the counterpart liabilities. A further advantage of waiting until 2009 is that that would allow countries sufficient time to prepare for the survey. Such lead time would be comparable to the lag between the decision to undertake the first CPIS and its reference date.

50. As work was needed on various methodological issues before countries could be approached to assess their interest in a CDIS—it will be based on the methodological standards in the new balance of payments manual (and which will be further elaborated in the revised *BD3*)—the Task Force chose to wait until DITEG had concluded its work, in March 2005, before sending a questionnaire. The Task Force felt that between 60 and 80 jurisdictions should be invited to participate in the feasibility study, with sufficient participation from every region. Restricting the number to approximately that size would maximize the benefits of the exercise, without imposing an overwhelming load on the resources of the IMF to conduct such a survey.

51. The questionnaire was sent to 89 jurisdictions. It sought to determine, among other things, whether respondents would consider participating in a CDIS if it were undertaken as of end-2009, and whether they would provide positions data on inward (and possibly also outward) direct investment, using the methodology in the new balance of payments manual and using a valuation principle based on the own funds at book value (OFBV) of the direct investment enterprise (not the direct investor). Using OFBV of direct investment enterprises in all cases should allow the results to be comparable, even if the information is not available at market prices. However, the Task Force felt that it is important to stress that, at the total level for inclusion in the IIP, compilers should strive to produce results that more closely approximate market value (and that such information, at a bilateral level, might be collected as additional, supplementary data in a CDIS).

52. Responses to the questionnaire were received from 78 countries. These responses were overwhelmingly supportive of conducting a CDIS. Nearly all those that responded indicated their willingness to consider participating in a survey that would collect positions data on inward direct investment, by first counterpart country, and three quarters indicated their willingness to participate in a CDIS that would collect positions data on outward direct investment, by first counterpart country. Respondents were informed, when the questionnaire was dispatched, that an indication at this stage of a willingness to consider participating in a CDIS was in no way binding. Even so, such a positive response would seem to indicate that there is likely to be a high degree of participation should a decision be taken in 2006 to proceed with a CDIS as of end-2009.

53. The Committee gave strong endorsement of the work of the Task Force, and many members indicated their willingness to participate in a CDIS. Many members, however, noted the difficulties in conducting a CDIS, pointing out that it would be a far greater challenge than the CPIS or SIMSDI.

54. The Committee was informed that the IMF Statistics Department had posted on the IMF's external website standardized information on the compilation and methodological practices followed by 54 countries in preparing foreign direct investment (FDI) data. The IMF considers these metadata to be essential for analysts to make meaningful cross-country comparisons of the data, as well as for effective bilateral reconciliations. The metadata also prepare the ground for improving conformance with agreed international standards set by the IMF and OECD for data compilation and presentation.

55. The metadata were obtained from questionnaire responses to the 2003 Joint IMF/OECD SIMSDI. See Box 4 for SIMSDI's purposes and results.

Box 4. The Purposes and Results of SIMSDI

Purposes of SIMSDI

- Determine the extent to which member countries had implemented the recommendations on direct investment statistics set out in the statistical manuals of the IMF and OECD as of the end of 2003.
- Obtain standardized information on data sources, collection methods, and reporting practices for each country's FDI data.
- Facilitate the exchange of information between reporting economies.
- Provide information when approved by the individual respondents, to users of FDI data—including financial analysts, academics, and statisticians—on the methodology and compilation practices of each country, with the aims of promoting better understanding of the methodology and facilitating improved analysis of the FDI data.

Results of SIMSDI

The 2003 survey was intended to cover most IMF members countries, and the response rate was high, with over 110 countries submitting questionnaire responses. The responses to the survey have been valuable to the IMF and OECD in identifying aspects of the present methodology that are being reviewed in the revision of *BPM5* and in providing information to facilitate that review.

The metadata relate to practices in 2003 and update and supplement metadata for 2001 that appear on the IMF's external website at http://www.imf.org/external/np/sta/di/mdb97.htm.

C. Remittances

56. The Committee was brought up to date on statistical developments with regard to remittances. The work arose from the meeting of the G–8, at Sea Island in 2004, that identified remittances as a potentially important private-sector-led means to help alleviate poverty, but considered the limited information available as a constraint on policymaking. The G–8 stressed the need for internationally comparable data on remittances, and to this end the G–7 Finance Ministers called for the establishment of a statistical working group, to be led by the World Bank, and which also includes the IMF and UNSD, to improve remittances data. This group organized an international meeting at the World Bank in Washington, D.C., in January 2005. The purpose of the meeting was to take stock of existing work on methodology, clarify data needs of users, and agree on a strategy for improving the evaluation and measurement of data.

57. There were about 60 participants from various countries and international organizations. The G–8 was represented by an official from the U.S. Treasury. At the meeting, methodology and compilation guidance on remittances were discussed, and the meeting agreed that (i) the balance of payments was the appropriate framework for collecting, reporting, and improving official statistics on remittances; (ii) the concepts and definitions relating to remittances need to be reviewed; and (iii) there is a need for improved guidance for collecting and compiling data on remittances, including through the use of household surveys. The meeting also agreed that the TSMNP is the appropriate body to take forward the conceptual and definitional work. It was agreed that improvements in data collection and compilation methodology should take place in a "City Group" on remittances. Eurostat volunteered to host the first "City Group" meeting in mid-2006.

58. The TSMNP presented three papers to the Committee on its work on remittances: (i) on the definition of personal remittances in the balance of payments context; (ii) on the universe for the movement of persons; and (iii) on institutional and total remittances. From the Committee's discussions of these papers, there was a general consensus on the conceptual treatment of remittances. The Committee also decided to introduce the concept of "personal transfers" as a standard component, with "remittances of employees" included as a supplementary (that is, non-core) component. In addition, the Committee decided to introduce the concept of "personal remittances," constituting the sum of "personal transfers" and "compensation of employees less taxes and social contributions and travel expenditures made by these parties," either with or without capital transfers between households. Moreover, the Committee agreed on the concept of "institutional remittances." Further, the Committee agreed that the concept of migrant was no longer needed in the new balance of payments manual and the revised *1993 SNA*, as the Committee concluded that remittances should be based on residence, not migration status. Finally, the Committee decided that *migrants' transfers* should no longer be recognized as a transaction. Accordingly, the new manual will recommend that any changes in financial

assets and liabilities that arise as a result of migration are to be recorded in *other changes in assets*.

59. The statistical working group presented its interim report in December 2005 and will present its final report in late 2006.

D. Portfolio Investment

Coordinated Portfolio Investment Survey

60. The CPIS, which is conducted under the aegis of the IMF's Statistics Department, is an internationally coordinated survey, carried out by participating economies, of their holdings of portfolio investment assets. The survey obtains data, on a required basis, on holdings of equity and long-term and short-term debt securities by counterpart jurisdiction of issuer, as well as additional information on an encouraged basis (portfolio investment liabilities by counterpart country of holder, by type of instrument; a breakdown of total assets by currency; and a breakdown of asset holdings by institutional sector). The data are reported for positions, as of the end of the year. The survey has been conducted on an annual basis since 2001 (following the first, limited, survey in 1997).

61. As a contribution to the CPIS, the IMF also asks selected economies to provide a comparable breakdown of the securities they hold in their reserve assets, as well as a similar survey of securities held by various international organizations. The rationale for these supplementary surveys is to derive the counterpart liabilities of the issuers of the securities from the surveyed asset information. Because some of these liabilities are held as reserve assets, and because international organizations do not produce balance of payments or IIP statistics, these surveys are conducted to provide more complete data on derived liabilities.

62. One particularly noteworthy aspect of the CPIS is that about 20 SEIFiCs now take part on a continuing basis. Overall, the willingness of so many countries to participate reflects the benefits that flow from the availability of data on creditor holdings of securities issues. In addition, three countries have agreed to participate on an ongoing basis since the survey became annual. The data from the survey help to fill an important statistical gap by providing a database that counterpart debtor countries may use to construct estimates of their own outstanding securities liabilities. The data assist analysts in understanding cross-border portfolio allocation and exposures.

63. Seventy jurisdictions now participate in the CPIS. Cross-border holdings were recorded at $23.2 trillion, as of end-2004, an increase of over 22 percent from the end of 2003. Holdings of equities showed the largest increase, rising by over 25 percent, to $8.7 trillion. Holdings of debt instruments increased by about 20 percent, to $14.5 trillion. Tables 3 and 4 provide, in matrix form, summary results of the 2004 CPIS for the ten largest holders and issuers of securities. More detailed results can be found on the IMF website (http://www.imf.org/bop).

Table 3. Portfolio Investment Assets: Top Ten Economies, by Size of Holdings, at End-2004 (preliminary data)[16]
(In millions of U.S. dollars)

		Equity Securities	Debt Securities	Of which Long-term Debt Securities	Of which Short-term Debt Securities	TOTAL
1	United States	2,560,418	1,203,933	984,978	218,955	3,764,346
2	United Kingdom	879,359	1,230,360	1,117,943	112,417	2,109,718
3	Japan	364,690	1,644,982	1,610,016	34,966	2,009,672
4	France	457,432	1,300,849	1,156,912	143,937	1,758,281
5	Luxembourg	637,048	978,533	868,612	109,920	1,615,581
6	Germany	523,834	991,643	963,450	28,193	1,515,477
7	Ireland	306,779	760,475	469,915	290,560	1,067,254
8	Netherlands	405,574	590,644	571,111	19,533	996,218
9	Italy	380,176	533,838	521,202	12,636	914,014
10	Switzerland	339,467	418,625	389,568	29,056	758,092
11	Others	1,860,204	4,878,288	4,029,349	848,939	6,738,491
Total value of investment		**8,714,980**	**14,532,169**	12**,683,057**	**1,849,113**	**23,247,144**

Table 4. Portfolio Investment Counterpart Liabilities: Top Ten Economies, by Size of Liabilities, at End-2004 (Derived from Creditor Data) (preliminary data)
(In millions of U.S. dollars)[17]

		Equity Securities	Debt Securities	Of which Long-term Debt Securities	Of which Short-term Debt Securities	TOTAL
1	United States	1,494,129	3,345,401	2,818,408	525,059	4,839,531
2	United Kingdom	1,048,014	1,192,552	854,717	337,656	2,240,935
3	Germany	422,947	1,680,850	1,550,913	126,157	2,103,839
4	France	521,796	1,026,839	879,792	146,800	1,553,494
5	Netherlands	376,980	918,130	823,202	91,430	1,295,182
6	Italy	209,663	983,303	869,843	37,732	1,206,295
7	Luxembourg	819,775	288,305	269,267	18,686	1,108,105
8	Japan	646,514	286,843	194,433	90,359	948,185
9	Cayman Islands	277,854	653,640	614,429	39,212	931,494
10	Spain	197,167	474,203	451,399	22,804	677,521
11	Others	2,700,140	3,693,642	3,356,700	413,218	6,321,382
Total value of investment		**8,714,979**	**14,543,711**	**12,683,102**	**1,849,112**	**23,225,962**

[16] The totals between the two tables do not equal because data in confidential cells have a differing impact on assets and liabilities, and the sum of the short-term and long-term debt instruments in Table 4 does not equal the total for debt instruments because some data at the sub-aggregate level are confidential but not at the total debt level, or, in some instances, vice versa.

64. Among the reasons for the large increases were (i) increased cross-border activity, as financial markets continued to recover from the shocks of the international financial crises of the late 1990s; (ii) rising share prices in many markets during 2004; and (iii) a decline in the value of the U.S. dollar against many currencies. This development resulted in an increase in the level of cross-border holdings of portfolio investment by residents of the United States (as the value of their non-dollar-denominated holdings increases in dollar terms), as well as an increase (expressed in dollars) in the holdings of residents of other countries of securities denominated in currencies that appreciated against the U.S. dollar in 2004. However, the nature of the survey does not permit the changes in levels between year-ends to be broken down among transactions, price, and exchange rate changes. (See below how a Centralized Securities Database will be able to assist with this type of analysis.) The role of the SEIFiCs may also be seen from the results. The combined reported holdings of portfolio investment assets of six of them (The Bahamas, Bermuda, Cayman Islands, Guernsey, Isle of Man, and Jersey) amounted to over $800 billion[17] at end-2004.

65. One of the many revealing features of the CPIS is the extent to which "home bias" persists in portfolio managers' decision making: whereas in a world of perfect information, the proportion of holdings by any given country in the securities of another should be proportional to the size of the financial market of the latter, in practice, investment decision-makers show a preference for investing in countries that are geographically closer to their home country. The Committee was advised of the use of the CPIS in a considerable amount of work analyzing cross-border portfolio investment, with much of this work being done at the IMF (in departments other than the Statistics Department). Among other agencies that have used the CPIS in their analysis of international capital markets are the ECB, the U.S. Treasury, and the Bank of Spain. In furtherance of the goal of making greater use of this very rich database, the Bank of Spain held a conference on this topic, in cooperation with the IMF, in March 2006. The conference included both users and compilers.

66. As part of its ongoing attempts to assist SEIFiCs to collect data for the CPIS, the Committee was advised that the IMF Statistics Department conducted a workshop in Gibraltar, in May 2005. The Statistics Department assists these jurisdictions, as far as possible, because of their limited resource base and their importance in international financial markets. Funding for the workshop was provided by Government of Japan through the Japan Administered Account for Selected Fund Activities. The workshop was designed to provide compilers from the SEIFiCs with the opportunity to exchange their experiences in conducting the CPIS; to encourage those who have not yet decided to participate in the CPIS to do so; to see how the survey might be conducted more efficiently and effectively; to establish a network of contacts among the compilers; and to indicate what plans they had for the 2005 survey. At the workshop, Gibraltar indicated that it would commence participating in the CPIS, while other jurisdictions indicated that the SEIFiCs were considering expanding their present coverage.

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[17] This figure does not include the portfolio investment holdings of mutual funds in The Bahamas and Cayman Islands. A conservative estimate of these holdings is in the order of $500 billion. The Statistics Department is assisting these jurisdictions to extend their coverage to include mutual funds.

Global securities databases

67. From previous work on the CPIS, it has become evident to the Committee that there is considerable interest in the development of a global securities database (GSDB). A GSDB would be a multi-dimensional database, with information on such variables as the security's name; each security's identification number (such as its ISIN, International Security Identification Number); the sector and jurisdiction of the issuer of the security; the amount issued and its date of issue; the currency and coupon (if any) of the issue; the maturity date(s); and, possibly, the sector of the security holder. Price information would also be included. Such a GSDB has a potentially very wide application: in addition to the CPIS (for which it would assist those countries compiling security by security), it could be used for estimates of portfolio investment transactions in the balance of payments; for external debt estimates; for the international reserves and foreign currency liquidity template; for monetary statistics; for flow of funds tables; for the sectoral balance sheets in the national accounts; and for financial soundness indicators.

68. As part of its overall work on improving the quality of portfolio investment in the euro area, the ECB has been developing a centralized securities database (CSDB). The Committee was brought up to date on this work. It was informed that the initial phase was completed in May 2005. The initial phase comprised the selection of the variables for inclusion; the implementation of all functionalities; the initial selection of the commercial databases to be fed into the system; and the setting up of procedures with the European System of Central Banks to jointly manage the quality of the database. The next phase will provide automated access to the CSDB by the ECB's national central banks and further modifications to the system. The final phase will cover the collection and integration of data related to holdings of securities in the CSDB. The second phase is expected to be completed in part by the end of 2006. The final phase will not be concluded for another two years or so. The Bank of Japan, the U.S. Federal Reserve Board, and the BIS have also been involved with the development of the CSDB.

69. In due course, central banks other than those already involved may be granted access to the CSDB. Of particular importance for understanding the changes in the CPIS would be information on prices and exchange rates. It was felt that, for analytical purposes, it would be very useful to separate holdings in mutual funds from other types of equity, especially in countries where mutual funds play a major role. It is expected that all members of the euro area will be using the security-by-security approach to the measurement of portfolio investment (quarterly) stocks by 2008.

E. The HIPC Initiative

70. The Committee considered a paper from the IMF on the statistical treatment of transactions and positions arising from the HIPC Initiative and exceptional financing. As the HIPC Initiative was launched well after the publication of *BPM5*, there has been concern among compilers that the current framework does not adequately address some of the HIPC debt-related transactions. Among the principal areas of concern are: the classification of transactions once agreements are reached in principle and before their signing and implementation; measurement of saving (transfers) arising from reductions of interest to concessional levels; and the identification and classification of transfers, including those dealing with HIPC Trust Funds. Of particular note was the importance of correctly treating transfers, to be sure that the saving behavior recorded by the parties involved is not presented in such a manner that it might be misleading for economic analysis and policymaking.

71. In 1996, in a coordinated effort, the IMF and the World Bank designed a framework to provide special assistance to heavily indebted poor countries that made a commitment to programs supported by the IMF and the World Bank. The initiative allows the eligible countries to benefit from a reduction in the present value of the stock of their external debt to sustainable levels, in exchange for continued efforts in macroeconomic stabilization, structural adjustment, and poverty reduction. In 1999, the Enhanced HIPC Initiative was introduced to strengthen the link between debt relief, poverty reduction, and social policies through deeper, and more rapid, debt relief to a larger number of countries.

72. The Committee decided that any methodological guidance agreed with regard to HIPC transactions should be consistent with the core principles and concepts in the balance of payments. The paper raised a number of questions; see Box 5 for the Committee's decisions. The IMF agreed to present a paper on the HIPC transactions to the AEG meeting in January 2006 including the Committee's decisions. This paper was circulated to the Committee prior to the submission to the AEG.

Box 5. Committee's Deliberations on HIPC, External Debt, and Concessional Debt

1. General outcome

The Committee decided that any methodological guidance agreed with regard to HIPC transactions should be consistent with the core principles and concepts in the balance of payments.

2. Specific outcomes on the issues discussed:

(1) The Committee agreed that:

a. *technical arrears* should be guided by a mutually signed understanding between the debtor and the creditors that liabilities falling due within an agreed specified period need not be paid on schedule;
b. in such circumstances, *technical arrears* should be treated as transactions and be classified as short-term debt under *other investment, other liabilities;* and
c. debt liabilities falling due before the start of debt rescheduling negotiations and debt owed outside the Paris Club for which no understanding has been signed between the debtor and the creditors should not be classified as *technical arrears*.

(2) While there was general consensus on the principle to treat *debt service moratorium* extended by creditors as debt rescheduling, some Committee members questioned whether a transaction had taken place. IMF agreed to undertake more work.

(3) The Committee agreed that the *BPM5* framework provides clear guidance on the *treatment of HIPC debt where creditors opt out of the HIPC Initiative*.

(4) The Committee agreed with the proposal to clarify the *effective timing of the rescheduling*.

(5) Differing views were expressed on possible treatment of transfers arising from *interest rate concessionality* on debt. The Committee decided that there was not sufficient consensus to include transfers in the core accounts but agreed to include a supplementary item. IMF is to consider whether the supplementary item should be on a current transfer for interest payable/receivable or capital transfer basis for valuation of loans.

(6) The Committee agreed to record HIPC *debt relief transactions* on the basis of the debt liabilities forgiven and not on the basis of the subsequent use of the funds in the government budget.

(7) The Committee agreed that:

a. *rescheduling of arrears* should not lead to the whole instrument being rescheduled;
b. *rescheduling of interest due* in the future could lead to creation of transactions in the balance of payments; and
c. there is need to clarify the *definition of debt rescheduling* in the balance of payments.

(8) The Committee agreed that:

a. once the HIPC grant is provided irrevocably, it should be regarded as an asset of the recipient country;
b. that the interest earned should be recorded under income; and
c. that the sector classification should be recorded on an ownership basis.

There was no consensus on the need for *memorandum items* on the balance of payments involving HIPC transactions. There was support for the inclusion of a chapter in the revised manual to provide guidance on the recording of HIPC debt and similar type of debt transactions.

73. Related to the HIPC Initiative is the question of the statistical treatment of concessional debt. In this regard, the Committee was presented with a paper by the Statistics Department that set out several options for the treatments. Differing views were expressed on possible treatment of transfers arising from interest rate concessionality on debt. The Committee decided that there was insufficient consensus to include the concessionality portion as a transfer in the core accounts but agreed to include a supplementary item. It was decided that the Statistics Department should consider further whether the supplementary item should be treated as an ongoing current transfer for its interest payable/receivable for the life of the loan or as a capital transfer at the time the funds are lent.

F. Unmet Needs of Fund Users for Balance of Payments Statistics

74. The Committee considered a paper prepared by the Statistics Department on how the new balance of payments manual is addressing unmet needs of other departments of the IMF as users of balance of payments and IIP (and related external sector) statistics. The Statistics Department had sought the views of other IMF departments to ensure that the new balance of payments manual meets any areas that had not been raised in the process to date.

75. The paper set out the responses to a set of questions posed by the Statistics Department of these user departments. These responses indicated that most of the areas where *BPM5* currently does not meet IMF user needs will be addressed in the new manual. These included the following: (i) more sector detail, including a public-private split; (ii) debt maturity reported on a remaining, as well as an original, basis for outstanding positions; (iii) information on foreign-currency-denominated or linked debt; (iv) the identification of SPEs in economies where they are significant (using national definitions, pending the development of an internationally agreed definition); and (v) a breakdown of type of financial derivative, on a supplementary basis. Additionally, and of particular importance, was the manner in which the data prepared for the IIP would be reported so that they can be used in conjunction with sector balance sheets in the national accounts, for development of the "Balance Sheet Approach" (BSA). The BSA reflects the increasing use at the IMF (and elsewhere) of positions data (of financial assets and liabilities) for each institutional sector and for the economy as a whole for the analysis of macroeconomic conditions in any given economy.

G. Reporting under *BPM5*

76. The Committee reviewed the progress countries were making in reporting balance of payments and IIP data to the IMF's Statistics Department on the basis of the classification system of *BPM5*, as well as the use of electronic reporting. For the 2005 *Balance of Payments Yearbook:*

- 162 countries reported balance of payments data using the coding system of *BPM5* (160 in 2004).
- 164 countries reported in electronic form (compared with 162 in 2004).
- 33 countries are now reporting using the Statistics Department's web-based Integrated Correspondence System, the same as in 2004.
- 106 countries now report quarterly balance of payments statistics to the IMF (up from 105 in 2004).
- A growing number of countries are reporting IIP data: for 2005, there were 91 comprehensive reporters (up from 84 in 2004), and a further 13 provided partial IIP data (down from 14 the year earlier).

H. Other Issues

77. The Committee also received the following papers:

(i) reports by the Technical Subgroup of the Interagency Coordination Group on Tourism Statistics on (a) the linkages between the balance of payments and a tourism satellite account, and (b) the implications for the revision to *BPM5* and the *1993 SNA* of the Subgroup's decision on travel;

(ii) a report by the Task Force on Statistics on International Trade in Services on changes to the classification of services;

(iii) a report by UNSD on the revision of the Central Product Classification (CPC) and its relationship to the Extended Balance of Payments Classification (EBOPS);

(iv) a report by BIS on developments in international financial statistics;

(v) a paper from the AEG on extending the asset boundary to include certain elements of research and development; and

(vi) a report from the United Kingdom on current account asymmetries in its data with the European Union.

V. Future Work Program

78. Appendix III sets out in detail the medium-term work program agreed by the Committee in 2005. Subjects are ranked by priority. The rankings are not intended to reflect the absolute importance of each topic but rather to reflect the relative priority assigned to each topic by the Committee, given the limited time and resources available for research and investigation.

79. Top priority for the Committee is the updating of *BPM5* and the report of the Task Force on Conducting a CDIS. For the updating of *BPM5*, the Statistics Department will prepare and disseminate several draft chapters of the new manual, incorporating the work

of BOPTEG, DITEG, and CUTEG, where such work was endorsed by the Committee. For the report of the Task Force on the Feasibility of Conducting a CDIS, the Statistics Department will prepare a report and recommendations for consideration by IMF management on the results of the feasibility study, including the results of the questionnaire that was sent to 89 countries.

80. High priority is accorded to remittances and reserve assets. For remittances, the Luxembourg City Group will meet to develop a forward plan on the development of guidance on best compilation practices. For reserve assets, the IMF will form a technical expert group, drawn from users as well as reserve managers and balance of payments compilers, to make recommendations to the Committee on updated guidelines for the new balance of payments manual.

81. The Committee gave medium priority to the CPIS, the development of a CSDB, global discrepancy, the implementation of *BPM5*, international trade in services, external debt and the IIP, and international financial statistics. For the CPIS, the Statistics Department will publish the results of the 2004 survey and report on progress on the 2005 survey. The Bank of Spain, in collaboration with the Statistics Department, will report on the conference on the use of the CPIS data that was hosted by the Bank of Spain in 2006. The ECB will report on progress on the operationalization of its CSDB. The Statistics Department will prepare a paper that highlights the discrepancy, at a global level, in balance of payments statistics, and it will also report on the progress on adoption of *BPM5*. The OECD will provide the Committee with a report on the activities of the Task Force on Statistics on International Trade in Services, and the United Kingdom will report on the status of its research into differences in services data with selected countries. The Statistics Department will also ensure there is comparability between the new CPC and the EBOPS. There will also be a report on the activities of IATFFS on external debt and the IIP. The BIS will report on developments in international financial statistics.

VI. 2006 MEETING

82. The Committee will hold its next meeting in the week of October 23, 2006. The meeting will be held at the ECB, in Frankfurt, Germany.

IMF Committee on Balance of Payments Statistics
Composition as of December 31, 2005

Chair

Robert W. Edwards
IMF, Statistics Department

Members

Sulieman Al-Kholifey[1]
Saudi Arabian Monetary Agency

Michael Atingi-Ego
Bank of Uganda

Stuart Brown
Office for National Statistics, United Kingdom

Teresa Cornejo
Banco Central de Chile

Bronwyn Driscoll
Australian Bureau of Statistics

Satoru Hagino
Bank of Japan

Robert Heath
IMF, Statistics Department

Makoto Kato
Ministry of Finance, Japan

Ralph Kozlow
U.S. Bureau of Economic Analysis

Lily Ou-Yang Fong
Census and Statistics Department,
China, Hong Kong SAR

Michael Debabrata Patra
Reserve Bank of India

Neil Patterson
IMF, Statistics Department

Art Ridgeway
Statistics Canada

Eduardo Rodriguez-Tenés
Bank of Spain

Sergei Shcherbakov
Central Bank of Russia

Almut Steger,
German Bundesbank

Stefaans Walters
Reserve Bank of South Africa

Representatives of International Organizations

Ayse Bertrand
Organisation for Economic
Cooperation and Development

William Cave
Organisation for Economic
Cooperation and Development

Ivo C. Havinga
United Nations Statistical Division

Jean-Marc Israël [2]
European Central Bank

Philippe Mesny
Bank for International Settlements

Markus van Wersch
Statistical Office of the European Communities

***Representatives from the Process of Reviewing the* System of National Accounts 1993**

Carol S. Carson

Anne Harrison

Secretariat

Robert Dippelsman
IMF, Statistics Department

John Joisce
IMF, Statistics Department

Manik Shrestha
IMF, Statistics Department

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[1] Dr. Al-Kholifey was accompanied by Mr. Suleiman Al-Ofi.
[2] Mr. Israel was accompanied by Mr. Carlos Sanchez-Munoz.

Terms of Reference of the
IMF Committee on Balance of Payments Statistics

1. The Committee will oversee the implementation of the recommendations presented in the Report on the Measurement of International Capital Flows and in the Report on the World Current Account Discrepancy, advise the IMF on methodological and compilation issues in the context of balance of payments and international investment position statistics, and foster greater coordination of data collection among countries.

2. The Committee will bring to the attention of the IMF new developments that impact on the compilation of statistics of cross-border transactions or related stocks of financial assets and liabilities, and work with the IMF in determining how these activities should be treated in accordance with *BPM5*.

3. The Committee will investigate ways in which data collection can be better coordinated among countries, with a view, inter alia, to facilitating the exchange of statistics among countries (e.g., bilateral transactions or stock data). It will also identify related areas for study and determine how work in those areas should be carried forward.

4. In carrying forward its work, the Committee will collaborate with other national compilers and with appropriate international organizations.

5. In consultation with the IMF's Statistics Department, the Committee will determine its work program and will meet under IMF auspices at least once a year.

6. The Committee will prepare an annual report for presentation to the Managing Director of the IMF.

Medium-Term Work Program of the IMF Committee on Balance of Payments Statistics: End-December 2005

Subject	Issue	Action
TOP PRIORITY		
Updating *BPM5*	Draft several chapters of the new balance of payments manual for consideration by the Committee	Draft chapters and papers to be prepared by IMF staff
Coordinated direct investment survey	Feasibility study of conducting a coordinated direct investment survey	IMF staff to prepare report and recommendations for consideration by the IMF's management on the results of the feasibility study
HIGH PRIORITY		
Remittances	Request by G–8 and others for improved data on remittances	IMF will report on outcomes of Luxembourg City Group on best compilation practices
Reserve assets	Updating international guidelines	Technical expert group to make recommendations to Committee on updated guidelines for the new balance of payments manual
MEDIUM PRIORITY		
Coordinated portfolio investment survey	Results of the 2004 Coordinated Portfolio Investment Survey	IMF to publish results of 2004 CPIS and prepare for 2005 CPIS; report by IMF staff on 2004 results
	Conference on use of the Coordinated Portfolio Investment Survey database	To be organized by the Bank of Spain, in collaboration with the IMF
Development of centralized securities database	Operationalization of the ECB's centralized securities database	Report by the ECB
Global discrepancies	Indication of discrepancies in global balance of payments statistics	Paper by IMF staff
Implementation of *BPM5*	Update on implementation and practical difficulties in implementing *BPM5*	Paper by IMF staff on *BPM5* reporting to the IMF's Statistics Department
International trade in services	Implementation and revision of *Manual on Statistics of International Trade in Services*	Paper by OECD on activities of the Task Force on Statistics of International Trade in Services, including plans for the revision of the manual
	Bilateral differences on services data between the United Kingdom and selected countries	Report by United Kingdom

Subject	Issue	Action
	CPC and EBOPS	IMF to ensure comparability of CPC and EBOPS
External debt and IIP	Improve reporting of external debt data within the IIP framework	Paper by IMF staff on developments at Inter-Agency Task Force on Finance Statistics
International Financial Statistics	Use and improvement of international financial statistics	Paper by BIS