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**Challenges and Staff Training in Implementing *BPM5*:
The Case of GCC**

**Prepared by Dr. Abdulrahman Al-Hamidy
Research and Statistics Department
Saudi Arabian Monetary Agency**

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Implementing BPM5:
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By

Dr. Abdulrahman Al-Hamidy

Compilation of timely, accurate and comprehensive balance of payments statistics is of crucial importance both for the national economic policy formulation as well as in the global context. Domestically, monetary and fiscal policies have to be tuned, inter-alia, to the behaviour of the external sector. The policy makers have to keep a watch on the trends in exports, imports, services and transfers and capital flows, for which timely availability of comprehensive and reliable balance of payments statistics is indispensable. Since the preparation of balance of payments statistics involves collection, interpretation and estimation of data and their presentation in universally standardized and conceptually coherent fashion, a team of trained persons to handle the job is also of paramount importance.

The IMF has been providing guidance to member countries for the compilation of balance of payments statistics through publication of the Balance of Payments Manual which is revised from time to time according to the changing needs. The fifth edition of the Manual published in 1993 represents the latest revision, which takes into account many important changes and innovations which have taken place in international transactions in recent years.

The process of globalization which in recent years led to growing international trade and capital flows has, unfortunately, been accompanied by grave financial crises which have erupted in various parts of the world. In the wake of these crises, the need for the compilation of accurate, comprehensive and timely balance of payments statistics by all countries, in accordance with the latest concepts, methodology and format has become all the more pressing, so as to enhance transparency and international comparability.

Conscious of the needs of the time, the Research and Statistics Department of SAMA has been making serious efforts to bring about the required improvement in its BOP compilation in the light of requirements and standards set in the fifth edition of the IMF Balance of Payments Manual and subsequent developments. In this connection, technical assistance was provided by the IMF to the Research and Statistics Department of SAMA in March–April, 1997. This assistance helped the Research and Statistics Department of SAMA in undertaking a medium-term program for compilation of Saudi Arabia’s balance of payments in accordance with the fifth edition of the Balance of Payments Manual. The program was initiated in April, 1997 in the light of a Joint Report prepared by the IMF technical assistance mission in collaboration with a team of officials of the Research and Statistics Department of SAMA. The Department designated the SAMA team as the “Working Group for Balance of Payments” immediately after the completion of the Joint Report. This Working Group has since been holding regular weekly meetings to discuss the challenges being faced in connection with the implementation of the program, such as those relating to the coverage and sources of data. The meetings of the Working Group also serve the purpose of providing training to junior colleagues. Thus, the twin objectives of improving and standardizing the balance of payments statistics and preparing a body of trained personnel are being pursued at one and the same time.

The staff members of the SAMA’s Research and Statistics Department also benefit from the training courses in balance of payments which are conducted by the IMF Institute and the Arab Monetary Fund Institute. Moreover, the Director General, Research and Statistics Department of SAMA and senior members of SAMA’s Statistics Department also hold

regular meetings with the officials of IMF's Statistics Department to discuss the challenges that are faced by SAMA's Working Group on BOP.

The Research and Statistics Department of SAMA, in cooperation with the Statistics Department of the IMF, has also held a 3-week training course on Balance of Payments Methodology and Compilation at SAMA's Institute of Banking in Riyadh during the period 27th January – 15th February, 2001. The 32 participants in the course, besides those from SAMA and other government departments of the Kingdom, included senior officials from monetary agencies and central banks of other GCC countries, namely, Bahrain, Kuwait, Oman, Qatar, and the United Arab Emirates, as well as from the GCC Secretariat.

The course was structured to address statistical issues of concern to GCC countries, with emphasis on practical training and specific data needs of the region and focusing on topics dealt with in the fifth edition of the IMF's Balance of Payments Manual (BPM5) as well as other topics directly related to the economies of Saudi Arabia and other GCC member countries. The course addressed the basic concepts, data requirements and classification issues related to the balance of payments and included presentations, discussions and case studies, covering both the theoretical and practical aspects of compilation of balance of payments statistics. The IMF not only arranged to provide trainers for the course but also supplied 13 documents containing comprehensive reading material for the participants, notably the Balance of Payments Manual, the Balance of Payments Textbook and the Balance of Payments Compilation Guide. For focus on the practical side, particular stress was laid on the use of the Compilation Guide which addresses practical issues related to the data requirements for each standard component of balance of payments.

In the Case Studies sessions of the course, groups of participants were given assignments to present issues that were important in compiling the balance of payments statistics for one of the countries represented in the course. The solutions to the problems and the experience gained was shared with other participants under the guidance of the trainers. The aim was to benefit all the trainees because they all belonged to the same region and faced similar challenges. Their inter-action with each other facilitated identifying possible solutions to the difficulties they faced.

Six sessions were devoted to sharing of country experiences, based on the statistical practices followed in the GCC countries. Special attention was given to the challenges being faced by SAMA's Research and Statistics Department. In this connection, it is noteworthy that prior to the commencement of the course, the SAMA Working Group on Balance of Payments had prepared a number of questions in the light of challenges relating to the methodology of estimating various items of the balance of payments, particularly in view of insufficiency of data and the difficulties in collecting information by conducting surveys. These questions were forwarded to the IMF Statistics Department which helped in developing the necessary base for ensuring the needed inter-action during the course, focusing on major issues of the region.

Among the difficulties of compiling balance of payments data that emerged from the discussions during the course was the absence of a tradition of collecting information by surveys in several GCC countries, particularly regarding the financial transactions of non-financial enterprises in the private sector. The lectures also covered survey methods and follow-up procedures to improve response from enterprises. Here, the experience of Saudi Arabia is worth mentioning. In accordance with a major recommendation of the Joint

Report mentioned earlier, the Working Group in SAMA has been conducting surveys to collect data from various ministries, agencies and private enterprises, but the response so far has been only partially good. The Working Group is, therefore, making additional efforts to impress upon those respondents from whom the response needs improvement that they should extend their full cooperation so as to enable the Research and Statistics Department of SAMA to prepare comprehensive, reliable and timely balance of payments for the Kingdom which is so crucial for proper policy formulation by the authorities. Overall, the course arranged by SAMA in collaboration with the IMF's Statistics Department was quite fruitful and well received by the participants.

A challenge confronting the preparation of comprehensive and timely balance of payments in GCC countries arises from the socio-economic philosophy adopted by their governments. Based on the principles of free private enterprise, respect for the right of private ownership, protection of privacy of individuals and avoidance of undue State intervention in business, this philosophy has helped foster a culture characterized by minimum necessary use of the power of taxation by the State and maximum freedom from exchange restrictions and other direct economic controls. The almost tax-and control-free culture in these countries has been facilitated by their oil income, which obviated any urgency for imposition of taxes on personal incomes, sales etc., as well as any restrictions or control on external transactions. Consequently, unlike most other countries, the people of GCC countries have remained unaccustomed to filing any tax returns or to filling up forms to comply with administrative or legal requirements related to controls.

Central banks in the region have, therefore, encountered difficulties in collecting the data through use of surveys, particularly in the case of the ones designed to elicit information from the private sector. This is because, in the perspective of the aforementioned historical and cultural realities, many GCC businessmen look at any surveys pertaining to their financial transactions with suspicion and fear that a response to such surveys may be a divulgence of their business secrets to outsiders.

A country's banking system plays a crucial role in capturing most of its financial transactions with the rest of the world. The more developed and efficient the banking system, the more reliable and timely data it would provide for the preparation of balance of payments. It is heartening that the GCC states have developed sound and efficient banking systems, strictly supervised by their central banks in accordance with standards issued by the related international institutions. These are supported by advanced systems for collecting statistics which cover almost all the movement of foreign exchange transactions. Besides being directly useable in the preparation of the balance of payments, these statistics also provide the basis for estimating a number of items of balance of payments, such as travel and others.